

Appropriations Committee Preliminary Report

**FY2019-20 / FY2020-21
Biennial Budget**



Nebraska Unicameral Legislature
One Hundred Sixth Legislature, First Session
February 2019

Members of the Appropriations Committee

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SUMMARY

This preliminary budget is the first of several stages in the budget process. It provides a starting point for discussion of the various budget actions suggested at this point in time. Subsequent to the hearings, the Appropriations Committee will formulate its' formal recommendation to the Legislature at which time floor debate and amendment will take place, followed by Governor vetoes and legislative overrides if any.

GENERAL FUND FINANCIAL STATUS

At Sine Die 2018, the projected financial status for the FY20/FY21 biennium was \$94.5 million above the minimum reserve. At that point, FY19/FY20 was the "out year" in the five year financial status and there was no projection for FY22/FY23 biennium

At the July 2018 meeting of the Tax Rate Review Committee (TRR), the General Fund financial status changed very little. FY2017-18 revenues were \$38.4 million above the Sine Die forecast and a total of \$62 million above the certified forecast. By statute actual receipts in excess of the certified forecast are then transferred to the Cash Reserve Fund.

The financial status deteriorated significantly in November 2018 when the TRR committee again met. The variance from the minimum reserve went from a positive \$93.8 million to a shortfall of \$95.1 million due to revenue forecasts. Original NEFAB forecasts for FY20 and FY21 were a combined \$336.5 million below the previously used preliminary LFO revenue estimates. The NEFAB increased their FY18-19 forecast by \$69.3 million but that amount would be in excess of the certified forecast and by law is shown as being transferred to the Cash Reserve Fund. There was some offset with overall lower spending projections. Those projected appropriation levels used the latest estimates for TEEOSA school aid and information from the agency budget request.

The Appropriations Committee Preliminary Budget as set forth here, reduces that \$95 million "shortfall" to a balanced budget slightly above the minimum reserve. This \$95 million swing was accomplished mostly through appropriation levels below the November Tax Rate Review Committee meeting estimate including TEEOSA school aid (\$38 million of which \$26 million reflects inclusion of LB588) and DHHS provider rates (\$30.9 million). A \$48.5 million increase in revenues due to cash fund transfers was offset by a \$51 million per year increase in transfers-out for Property Tax Credits..

GENERAL FUND REVENUES

Revenue estimates for FY2018-19, FY2019-20 and FY2020-21 are the October 2018 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY20/FY21 biennium average 3.1% (3.3% in FY19-20 and 2.8% in FY20-21). When including the 5.5% growth in the FY18-19 forecast, there is an average growth of 3.9% over the three years that affect the financial status for the upcoming biennium. Note that these revenue forecasts include the impact of the Wayfair ruling related to remote sellers. A more complete explanation can be found on page 11.

For the "following biennium", revenue growth is calculated at 5.0% per year using the historical average methodology. The target growth is the historical average of 4.7% but adjusted down to 4.4% to exclude growth that is now negated by indexing of the income tax brackets. Because the revenue growth in the NEFAB forecasts is below average, the revenue growth needed to yield a 4.4% five year average is 5.0% in both FY21-22 and FY22-23. At this point, these calculated amounts are very close to the unofficial estimates prepared by Legislative Fiscal Office (LFO) using IHS Economics but significantly lower than the Nebraska Dept. of Revenue (NDR) and the LFO estimate using Moody's.

The Forecast Board will meet on Thursday February 28, 2019 and again in late April 2019 to review the current forecasts. Changes to these forecasts will result in changes to the projected financial status as noted in this report. FY2018-19 year to date revenues (through January) are \$81 million below the October

2018 forecast level which clearly indicates a decline in the current year forecast. However how the last three month revenue performance translates into the final months and into the next two fiscal years is unknown.

GENERAL FUND SPENDING GROWTH

Budget growth in the Committee preliminary budget is 3.3% in FY20 and 3.4% in FY21 for a two year average of 3.3%. This is 0.3% per year above the Governor's recommendation but significantly less than the pre-session estimate which had projected growth of 4.5% in FY20 and 3.2% in FY21 for an average of 3.9% over the biennium. Much of the decline in the projected spending growth is attributed to funding levels for DHHS provider rates and TEEOSA state aid relative to estimates of current law funding levels and inclusion of LB588..

	Pre Session Est.		Governor		Committee Preliminary	
	FY19-20	FY20-21	FY19-20	FY20-21	FY19-20	FY20-21
Operations	3.6%	3.0%	2.1%	2.7%	2.5%	2.9%
State Aid to Individuals	3.2%	4.4%	1.4%	4.3%	2.4%	5.3%
State Aid to Local Govt	5.9%	3.2%	5.2%	2.9%	4.0%	2.8%
Construction	78.2%	-27.6%	75.4%	-29.5%	77.7%	-29.1%
Annual % Change	4.5%	3.2%	3.2%	3.0%	3.3%	3.4%
Two Yr Average		3.9%		3.1%		3.3%

COMPARISON TO GOVERNORS RECOMMENDATION

Over the two-year biennial budget, there is a \$13.3 million difference between the variance from the minimum reserve under the Committee preliminary budget (\$34 million) and the Governor (+\$13.0 million).

The Governors financial status is \$13.3 million different from the Committee Preliminary due to lower appropriations (\$24.5 million over the two year period) and \$5 million higher lapsed appropriations, less \$17.6 million for the military income tax reduction included in the Governors recommendation.

The major differences in appropriations are shown in the table below but include higher salary and health insurance costs (\$14.8 million) and higher DHHS provider rates (\$39.2 million) offset by lower amounts for TEEOSA (\$38.5 million).

<u>Committee vs Governor (Major Items)</u>	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>Two Yr Total</u>
TEEOSA Aid to Schools (General Funds only)	(18,107,382)	(20,394,634)	(38,502,016)
Provider rates, DHHS aid programs	12,963,311	26,204,102	39,167,413
Salaries & Health Insurance (Agencies)	5,117,332	9,665,434	14,782,766
Salaries & Health Insurance (University+Colleges)	283,769	590,325	874,094
Behavioral Health aid (other than FMAP, rates, expansion)	658,835	1,615,706	2,274,541
Medicaid (other than FMAP, provider rates, expansion)	574,497	1,148,993	1,723,490
All Other	2,382,473	1,847,211	4,229,684
Total Difference, Committee vs Governor	3,872,835	20,677,137	24,549,972

CASH RESERVE FUND

The Cash Reserve Fund unobligated balance is projected at \$348 million based on current forecasts, actions taken in prior legislative sessions, and the Appropriations Committee Preliminary Budget. This is an increase over the \$296.4 million projected balance at the end of the 2018 legislative session

This increase is attributed to (a) the actual transfer of \$62 million attributed to FY2017-18 actual receipts being above certified forecast and (b) an estimated \$69.3 million transfer related to the current NEFAB forecast for FY2018-19 being above the July certified amount and (c) a \$54.7 million transfer to the Nebraska Capital Construction Fund in the committee preliminary budget to cover several construction projects primarily two additional high security housing units (384 beds) under the Dept. of Correctional Services. This project and transfer was also part of the Governors recommendation.

PROJECTED GENERAL FUND FINANCIAL STATUS

Table 1 shown below includes the projected General Fund Financial Status based on the Appropriations Committee Preliminary budget. Furthermore, for planning purposes, an estimated financial status is also constructed for the following biennium allowing the Legislature to see the future implications of budget actions already taken or being considered.

Table 1 – General Fund Financial Status per Committee Preliminary Budget

	Current Yr FY2018-19	Upcoming Biennium		Following Biennium	
		FY2019-20	FY2020-21	FY2021-22	FY2022-23
1 BEGINNING BALANCE					
2 Beginning Cash Balance	453,601,627	307,431,905	282,222,303	281,454,802	307,161,338
3 Cash Reserve transfers-automatic	(61,995,773)	(69,266,000)	0	0	0
4 Carryover obligations from FY18	(252,544,467)	0	0	0	0
5 Lapse FY18 reappropriations	8,000,000	0	0	0	0
6 Allocation for potential deficits	0	(4,500,000)	(5,000,000)	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	147,061,387	233,665,905	277,222,303	276,454,802	302,161,338
8 REVENUES & TRANSFERS					
9 Net Receipts (Oct 2018 NEFAB + hist avg)	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
10 General Fund transfers-out	(230,300,000)	(286,800,000)	(286,800,000)	(286,800,000)	(283,500,000)
11 General Fund transfers-in	(1,500,000)	48,500,000	48,500,000	0	0
12 Cash Reserve transfers (current law)	48,000,000	0	0	0	0
13 2019 Cash Reserve transfers (new)	0	0	0	0	0
14 2019 Revenue Bills	0	0	0	0	0
15 General Fund Net Revenues	4,616,200,000	4,651,700,000	4,761,700,000	4,999,200,000	5,260,500,000
16 APPROPRIATIONS					
17 Expenditures / Appropriations (2018 Session)	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615
18 2019 Mainline Budget Actions - Preliminary	(561,266)	146,859,987	301,183,886	301,183,886	301,183,886
19 Projected budget increase, following biennium	0	0	0	211,025,963	417,608,264
19 2019 State Claims	107,133	0	0	0	0
20 2019 "A" Bills	0	0	0	0	0
21 General Fund Appropriations	4,455,829,482	4,603,143,602	4,757,467,501	4,968,493,464	5,175,075,764
22 ENDING BALANCE					
23 \$ Ending balance (per Financial Status)	307,431,905	282,222,303	281,454,802	307,161,338	387,585,574
24 \$ Ending balance (at Min. Reserve 3.0%)			281,113,570		307,023,926
25 Excess (shortfall) from Minimum Reserve			341,232		80,561,648
26 Biennial Reserve (%)			3.0%		3.8%
General Fund Appropriations					
27 Annual % Change - Appropriations (w/o deficits)	1.3%	3.3%	3.4%	4.4%	4.2%
28 Two Year Average	0.5%	--	3.3%	--	4.3%
General Fund Revenues					
29 Est. Revenue Growth (rate/base adjusted)	5.5%	3.3%	2.8%	5.0%	5.0%
30 Two Year Average	5.0%	--	3.1%	--	5.0%
31 Five Year Average	3.3%	--	3.4%	--	4.3%
32 On-Going Revenues vs Appropriations	111,809,252	48,556,398	4,232,499	30,706,536	85,424,236

Chronology of the Financial Status

At Sine Die 2018, the projected financial status for the FY20/FY21 biennium was \$94.5 million above the minimum reserve. At that point, FY19/FY20 was the "out year" in the five year financial status and there was no projection for FY22/FY23 biennium

At the July 2018 meeting of the Tax Rate Review Committee (TRR), the General Fund financial status changed very little. FY2017-18 revenues were \$38.4 million above the Sine Die forecast and a total of \$62 million above the certified forecast. By statute actual receipts in excess of the certified forecast are then transferred to the Cash Reserve Fund.

Impact on Variance from Min Reserve (Millions of Dollars)	July 2018 TRR Committee			
	FY19	FY20	FY21	Total
FY18 Actual vs Est General Fund Net Receipts	0.0	0.0	0.0	38.4
FY18 Actual vs Est CRF transfers-automatic	(37.0)	0.0	0.0	(37.0)
FY18 Actual vs Est Accounting adjustment	0.0	0.0	0.0	(3.0)
Change in Minimum Reserve	0.0	0.0	0.0	0.1
July 2018 Tax Rate Review Committee	(37.0)	0.0	0.0	(1.5)

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There was some offset with overall lower spending projections. Those projected appropriation levels used the latest estimates for TEEOSA school aid and information from the agency budget request.

Impact on Variance from Min Reserve (Millions of Dollars)	November 2018 TRR Committee			
	FY19	FY20	FY21	Total
Revenue Forecasts (revised Oct 2018)	69.3	(65.8)	(270.7)	(267.2)
"Above certified" FY19 forecast to CRF	0.0	(69.3)	0.0	(69.3)
Change in Minimum Reserve	0.0	0.0	9.8	9.8
Subtotal - Revenue	69.3	(135.0)	(260.9)	(326.6)
Education - Revised TEEOSA aid estimates (Oct 2018 Joint Meeting)	0.0	2.8	46.1	48.9
Corrections - Inmate per diem costs (3% vs request)	0.0	1.4	2.8	4.2
DHHS - FMAP	0.0	37.6	50.2	87.8
DHHS - SCHIP Enhanced 23% FMAP Reduction	0.0	12.5	7.6	20.1
DHHS - SCHIP (eligibility, utilization)	0.0	0.6	1.4	2.0
DHHS - Medicaid (eligibility, utilization)	0.0	0.4	2.9	3.3
DHHS - Child Welfare (eligibility, utilization)	0.0	3.8	7.8	11.7
DHHS - Medicaid expansion (net)	0.0	(14.8)	(33.2)	(48.1)
DHHS - Develop Disability (eligibility, utilization)	0.0	4.2	7.0	11.2
DHHS - Provider rates (2.5% vs request, DD and BH)	0.0	(3.8)	2.4	(1.4)
DHHS - Medicaid (clawback)	0.0	(5.6)	(6.9)	(12.5)
All - Salary increase (updated base, stay at 2.5% per year)	0.0	(2.9)	(5.2)	(8.1)
All - Health Insurance increase (6.0% to varies)	0.0	6.5	7.8	14.4
All - CIO Rate & Service Charges	0.0	(2.5)	(3.7)	(6.2)
All - DAS Charges & Inflation	0.0	0.0	0.0	0.0
Revised estimate of budget increases, all other	0.0	1.1	2.5	3.6
Deficit requests vs \$5M allocation	3.2	0.0	0.0	3.2
Change in Minimum Reserve	0.0	0.0	3.4	3.4
Subtotal - Appropriations	3.2	41.5	93.0	137.7
Total Change – November TRR Committee	72.5	(93.5)	(167.9)	(188.9)

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This \$95 million swing was accomplished mostly through appropriation levels below the November Tax Rate Review Committee meeting estimate including TEEOSA school aid (\$38 million of which \$26 million reflects inclusion of LB588) and DHHS provider rates (\$30.9 million).

A \$48.5 million increase in revenues due to cash fund transfers was offset by a \$51 million per year increase in transfers-out for Property Tax Credits..

Impact on Variance from Min Reserve (Millions of Dollars)	Committee Preliminary Budget			
	FY19	FY20	FY21	Total
General Fund Transfers In	(1.5)	48.5	48.5	95.5
General Fund Transfers Out - Property Tax Credit	0.0	(51.0)	(51.0)	(102.0)
General Fund Transfers Out - Water Resources Cash	0.0	(3.3)	(3.3)	(6.6)
Change in Minimum Reserve	0.0	0.0	0.2	0.2
Subtotal - Revenue	(1.5)	(5.8)	(5.6)	1(12.9)
Lapse FY19 reappropriations, lower encumb	0.0	8.5	0.0	8.5
Education - Revised TEEOSA aid estimates (Jan 2019 NDE)	0.0	(8.4)	20.4	12.0
Education - Incorporate LB588 TEEOSA aid	0.0	26.1	0.0	26.1
Education - SPED	0.0	3.4	6.9	10.3
DHHS - Economic eligibility system suspension	0.0	5.9	5.9	11.8
DHHS - Provider rates (2.5% vs request, DD and BH)	0.0	10.3	20.6	30.9
DHHS - Medicaid expansion (net)	0.0	(3.5)	(11.3)	(14.9)
DHHS - Medicaid: Health insurance provider fee (Prog. 348)	0.0	0.0	(15.5)	(15.5)
DHHS - Medicaid, lower clawback	0.0	4.1	4.2	8.3
DHHS - Public Assistance base reduction	0.0	2.3	2.3	4.5
Nat Resource - eliminate new approp, resources dev fund	0.0	3.0	3.0	6.0
Corrections - One-Time Cash Fund Appropriation Increase	0.0	4.2	0.0	4.2
NU+Colleges - Nebraska Talent Scholarships	0.0	(2.0)	(4.0)	(6.0)
NU+Colleges - Salary and Health Insurance	0.0	4.3	8.8	13.1
All - Salary and Health Insurance	0.0	0.2	2.1	2.3
All - DAS Charges & Inflation	0.0	2.5	3.3	5.8
All other, net	0.0	(0.3)	2.0	1.7
Deficits & State Claims	(1.3)	0.5	0.0	(0.8)
Subtotal - Appropriations	(1.3)	61.1	48.6	108.4
Total Change – Appropriations Committee Prelim Budget	(2.8)	55.3	43.0	95.4

Table 2 Chronology of the Financial Status

(millions of dollars)	FY20 / FY21 Biennium	FY22 / FY23 Biennium
Sine Die 2018 Session (April 18, 2018)	95.3	NA
FY18 Actual vs Est General Fund Net Receipts	38.4	--
FY18 Actual vs Est CRF transfers-automatic	(37.0)	--
FY18 Actual vs Est Accounting adjustment	(3.0)	--
Change in Minimum Reserve	0.1	--
July 2018 Tax Rate Review Committee	93.8	NA
Revenue Forecasts (revised Oct 2018)	(267.2)	--
"Above certified" FY19 forecast to CRF	(69.3)	--
Education - Revised TEEOSA aid estimates (Oct 2018 Joint Meeting)	48.9	--
DHHS - FMAP	87.8	--
DHHS - SCHIP Enhanced 23% FMAP Reduction	20.1	--
All - Health Insurance increase (6.0% to varies)	14.4	--
DHHS - Child Welfare (eligibility, utilization)	11.7	--
DHHS - Develop Disability (eligibility, utilization)	11.2	--
DHHS - Medicaid (eligibility, utilization)	3.3	--
Corrections - Inmate per diem costs (3% vs request)	4.2	--
Revised estimate of budget increases, all other	3.6	--
Deficit requests vs \$5M allocation	3.2	--
DHHS - SCHIP (eligibility, utilization)	2.0	--
DHHS - Medicaid expansion (net)	(48.1)	--
DHHS - Medicaid (clawback)	(12.5)	--
All - Salary increase (updated base, stay at 2.5% per year)	(8.1)	--
All - CIO Rate & Service Charges	(6.2)	--
DHHS - Provider rates (2.5% vs request, DD and BH)	(1.4)	--
Change in Minimum Reserve	13.2	--
November 2018 Tax Rate Review Committee	(95.1)	(11.2)
General Fund Transfers In	95.5	95.5
General Fund Transfers Out - Property Tax Credit	(102.0)	(204.0)
General Fund Transfers Out - Water Resources Cash	(6.6)	(9.9)
Lapse FY19 reappropriations, lower encumb	8.5	8.5
Deficits & State Claims	(0.8)	(0.8)
DHHS - Provider rates (2.5% vs request, DD and BH)	30.9	72.2
Education - Incorporate LB588 TEEOSA aid	26.1	26.1
Agencies+NU+Colleges - Salary and Health Insurance	15.4	37.2
Education - Revised TEEOSA aid estimates (Jan 2019 NDE)	12.0	54.9
Education - SPED	10.3	24.1
DHHS - Economic eligibility system suspension	11.8	23.6
DHHS - Medicaid, lower clawback	8.3	16.6
Nat Resource - eliminate new approp, resources dev fund	6.0	12.1
All - DAS Charges & Inflation	5.8	12.3
DHHS - Public Assistance base reduction	4.5	9.1
Corrections - One-Time Cash Fund Appropriation Increase	4.2	4.2
DHHS - Medicaid expansion (net)	(14.9)	(37.5)
DHHS - Medicaid: Health insurance provider fee (Prog. 348)	(15.5)	(46.4)
NU+Colleges - Nebraska Talent Scholarships	(6.0)	(14.0)
All other, net	1.7	7.7
Change in Minimum Reserve	0.2	0.3
Committee Preliminary Budget - 2019	0.3	80.5

CASH RESERVE FUND

The Cash Reserve Fund (CRF) is not included as part of the "General Fund Reserve" (which is the statutorily defined ending General Fund balance for a biennium) and was created as a separate and distinct fund to cover cash flow needs within a month or several month period. The Cash Reserve Fund also serves as a "rainy day fund" in that revenues in excess of a "certified forecast" are transferred from the General Fund to Cash Reserve fund at the end of a fiscal year. As the certified forecast is basically the revenue estimate at Sine Die when the budget is finalized, these transfers sequester revenues in excess of that which is needed to balance the budget.

At the end of the 2018 legislative session, the unobligated balance was projected at \$296.4. The current estimate is \$348.1million. This increase is attributed to (a) the actual transfer of \$62 million attributed to FY2017-18 actual receipts being above certified forecast and (b) an estimated \$69.3 million transfer related to the current NEFAB forecast for FY2018-19 being above the July certified amount and (c) a \$54.7 million transfer to the Nebraska Capital Construction Fund as part of the Appropriations Committee preliminary budget..

The **Appropriations Committee Preliminary Budget** utilizes \$54.7 million of Cash Reserve Fund monies, a transfer to the Nebraska Capital Construction Fund to cover several construction projects primarily two additional high security housing units (384 beds) under the Dept. of Correctional Services. This project and transfer was also part of the Governors recommendation.

Table 3 - Cash Reserve Fund Cash Flow

	Estimated FY2018-19	Estimated FY2019-20	Estimated FY2020-21	Estimated FY2021-22	Estimated FY2022-23
Beginning Balance	339,990,065	333,549,124	402,815,124	348,115,124	348,115,124
Excess of certified forecasts (line 3 in Status)	61,995,773	69,266,000	0	0	0
To/from Gen Fund per current law	(48,000,000)	0	0	0	0
To Nebr Capital Construction Fund (NCCF)	(20,436,714)	0	0	0	0
2019 Session - Transfers to/from General Fund		0	0	0	0
2019 Session - Transfers to/from NCCF		0	(54,700,000)	0	0
Ending Balance	333,549,124	402,815,124	348,115,124	348,115,124	348,115,124

Excess of Certified Forecasts

Shown on line 3 of the Financial Status, revenues in excess of "certified" forecasts are required by statute to be transferred from the General Fund to the Cash Reserve Fund. These would take place in July of the fiscal year following completion of that year.

Actual receipts for FY17-18 (\$4,566,995,773) were \$61,995,773 above the certified forecast of \$4,505,000,000 which is the transfer number shown in the FY2018-19 column.

The NEFAB forecast for FY2018-19 as revised in October 2018 is \$4,890,000,000 which is \$69,266,000 above the certified forecast of \$4,730,734,000. By law this amount above the certified forecast would be transferred to the Cash Reserve Fund. However, this is only an estimated number at this time.

Transfers-To & From General Fund

Unlike the automatic transfers that occur after the close of the fiscal year and are statutorily required, other transfers can take place as specifically enacted by the Legislature. In the 2017 Session, the Legislature transferred a total of \$173 million to the General Fund to assist in balancing the budget and to help replenish the reserve to the statutory minimum level.

The Committee Preliminary Budget includes no additional transfers to or from the General Fund.

Transfers To & From Other Funds

In the 2015 session, the enacted budget called for a \$28.2 million of transfers to the NCCF for the State Capitol HVAC project. This included \$7,804,292 in FY2015-16, and future transfers of \$7,160,412 in FY2018-19, \$9,492,568 in FY2020-21, and \$3,783,734 in FY2022-23. During the 2017 session the total transfer amount didn't change but the cash flow of the transfers was changed to \$10,005,129 in FY2018-19 and \$10,431,585 in FY2020-21. In the 2018 session, the FY2020-21 transfer was moved to FY2018-19 providing a total of \$20,436,714.

Table 4 Cash Reserve Fund – Historical Balances

Fiscal Yr	Beginning Balance	Direct Deposit and Interest	Automatic Transfers	Legislative Transfers	Cash Flow	Ending Balance	Balance as % of revenue
FY1983-84	0	37,046,760	na	0	0	37,046,760	4.7%
FY1984-85	37,046,760	(1,472,551)	na	0	0	35,574,209	4.5%
FY1985-86	35,574,209	227,855	na	(13,500,000)	0	22,302,064	2.7%
FY1986-87	22,302,064	1,428,021	na	0	0	23,730,085	2.7%
FY1987-88	23,730,085	1,654,844	na	(7,700,000)	0	17,684,929	1.7%
FY1988-89	17,684,929	139,000	na	32,600,000	0	50,423,929	4.4%
FY1989-90	50,423,929	113,114	na	(10,500,000)	0	40,037,043	3.5%
FY1990-91	40,037,043	0	na	(8,100,000)	0	31,937,043	2.3%
FY1991-92	31,937,043	0	na	(5,000,000)	0	26,937,043	1.8%
FY1992-93	26,937,043	0	na	(9,500,000)	0	17,437,043	1.1%
FY1993-94	17,437,043	0	3,063,462	7,250,000	0	27,750,505	1.7%
FY1994-95	27,750,505	0	(8,518,701)	1,250,000	0	20,481,804	1.2%
FY1995-96	20,481,804	0	(20,481,804)	18,189,565	0	18,189,565	1.0%
FY1996-97	18,189,565	0	19,740,786	3,032,333	0	40,962,684	2.0%
FY1997-98	40,962,684	0	91,621,018	0	0	132,583,702	6.3%
FY1998-99	132,583,702	0	111,616,422	(98,500,000)	0	145,700,124	6.9%
FY1999-00	145,700,124	0	20,959,305	(24,500,000)	0	142,159,429	5.9%
FY2000-01	142,159,429	0	77,576,670	(49,500,000)	0	170,236,099	6.9%
FY2001-02	170,236,099	0	0	(60,170,000)	0	110,066,099	4.7%
FY2002-03	110,066,099	66,476,446	0	(87,400,000)	(30,000,000)	59,142,545	2.4%
FY2003-04	59,142,545	59,463,461	0	(61,577,669)	30,000,000	87,028,337	3.2%
FY2004-05	87,028,337	8,170,556	108,727,007	(26,758,180)	0	177,167,720	5.8%
FY2005-06	177,167,720	0	261,715,297	(165,266,227)	0	273,616,790	8.2%
FY2006-07	273,616,790	0	259,929,524	(17,458,523)	0	516,087,791	15.1%
FY2007-08	516,087,791	0	191,436,773	(161,978,767)	0	545,545,797	15.6%
FY2008-09	545,545,797	0	116,976,571	(84,330,505)	0	578,191,863	17.2%
FY2009-10	578,191,863	0	0	(110,990,237)	0	467,201,626	14.6%
FY2010-11	467,201,626	0	0	(154,000,000)	0	313,201,626	8.9%
FY2011-12	313,201,626	8,422,528	145,155,092	(33,439,198)	(4,461,676)	428,878,372	11.6%
FY2012-13	428,878,372	0	104,789,781	(154,008,427)	4,461,676	384,121,402	9.5%
FY2013-14	384,121,402	0	285,292,610	49,651,294	0	719,065,306	17.5%
FY2014-15	719,065,306	0	96,721,232	(87,951,112)	0	727,835,426	16.9%
FY2015-16	727,835,426	0	84,599,532	(81,779,850)	0	730,655,108	17.0%
FY2016-17	730,655,108	0	0	(50,000,000)	0	680,655,108	16.0%
FY2017-18	680,655,108	150,000	0	(340, 930,772)	0	339,874,336	7.4%
FY2018-19 Est	339,874,336	0	61,995,773	(68,436,714)	0	333,549,124	6.9%
FY2019-20 Est	333,549,124	0	69,266,000	0	0	402,815,124	8.2%
FY2020-21 Est	402,815,124	0	0	(54,700,000)	0	348,115,124	8.1%
FY2021-22 Est	348,115,124	0	0	0	0	348,115,124	8.1%

GENERAL FUND REVENUES

General Fund Revenue Forecasts

Revenue estimates for FY2018-19, FY2019-20 and FY2020-21 are the October 2018 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Rate and base adjusted revenue growth implied by the forecasts for the FY20/FY21 biennium average 3.1% (3.3% in FY19-20 and 2.8% in FY20-21). When including the 5.5% growth in the FY18-19 forecast, there is an average growth of 3.9% over the three years that affect the financial status for the upcoming biennium. This reflects growth below the 4.8% historical 37 year average.

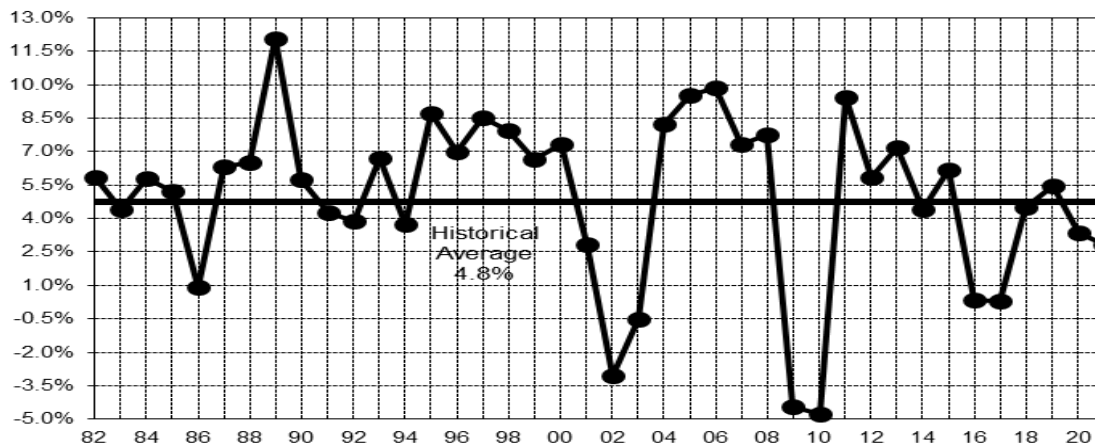
Note that these revenue forecasts include the impact of the Wayfair ruling related to remote sellers. A more complete explanation can be found on page 11.

THE FORECAST BOARD WILL MEET ON THURSDAY FEBRUARY 28, 2019 AND AGAIN IN LATE APRIL 2019 TO REVIEW THE CURRENT FORECASTS. CHANGES TO THESE FORECASTS WILL RESULT IN CHANGES TO THE PROJECTED FINANCIAL STATUS AS NOTED IN THIS REPORT

Table 5 General Fund Revenue Forecasts

	NEFAB FY2018-19	NEFAB FY2019-20	NEFAB FY2020-21	LFO Prelim FY2021-22	LFO Prelim FY2022-23
Actual/Forecast					
Sales and Use Tax	1,700,000,000	1,780,000,000	1,805,000,000	1,887,000,000	1,957,000,000
Individual Income Tax	2,495,000,000	2,600,000,000	2,700,000,000	2,872,000,000	3,054,000,000
Corporate Income Tax	335,000,000	320,000,000	320,000,000	337,000,000	354,000,000
Miscellaneous receipts	270,000,000	190,000,000	175,000,000	190,000,000	179,000,000
Total Forecast	4,800,000,000	4,890,000,000	5,000,000,000	5,286,000,000	5,544,000,000
Adjusted Growth					
Sales and Use Tax	5.1%	4.0%	2.1%	3.5%	3.5%
Individual Income Tax	6.0%	4.3%	3.8%	6.3%	6.3%
Corporate Income Tax	4.1%	-7.0%	1.2%	5.1%	4.8%
Miscellaneous receipts	4.6%	4.2%	-1.2%	1.2%	1.0%
Total GF Receipts	5.5%	3.3%	2.8%	5.0%	5.0%
Two Yr Average	5.0%	--	3.1%	--	5.0%
Five Yr Average	3.4%	--	3.4%	--	4.3%

General Fund Revenue Growth
(Adjusted for Tax Rate and Base)



Following Biennium (FY2021-22 and FY2022-23)

The NEFAB does not make official forecasts for the following biennium or what's commonly referred to as the "out years". Although different methodologies could be utilized, the revenue estimates used for the following biennium (FY21-22 and FY22-23) are derived by the Legislative Fiscal Office (LFO) using a "capped" historical average methodology. This "smoothing" technique derives "out year" revenue estimates by calculating the level of revenues that would yield a five year average growth (FY19 to FY23) roughly equal to the 37 year historical average (4.7%) less .25% which is the projected impact of indexing the tax brackets as enacted in 2014 (LB987).. Inherent in this methodology is the concept that within any five-year period, below average revenue growth in some years will be offset by above average growth in others and is visually seen in the line graph of historical adjusted revenue growth.

The "capped" provision of this methodology means that the derived growth needed in the out-years to achieve the historical average cannot be higher than the "above average" growth years nor lower than the "below average" growth years. Over the past 37 years, there were 14 years in which revenue growth was "below average" (1.2% average) and 23 years in which revenue growth was above average (7.3% average).

Because the revenue growth in the NEFAB forecasts is below average, the revenue growth needed to yield a 4.3% five year average is 5.0% in both FY21-22 and FY22-23.

Alternative methods are also available for purposes of deriving revenue estimates for the following biennium. In addition to the historical average methodology used in the financial status, both the Nebraska Dept of Revenue (NDR) and Legislative Fiscal Office (LFO) have calculated revenue estimates for these two "out years" using the same models and input from HIS Economics (previously Global Insight) and Moody's, the national forecasting services used as input into the tax forecast models. While these forecasts work well for the 1 to 3 year forecasts, when extended further they have a tendency to flatten out and follow the 3 year trend into the 4th and 5th year. In other words, they have difficulty picking up changes in the trend. The historical average methodology has been used since 1991 and the "smoothing" technique used for the most part relies on the trend changes.

As shown in Table 6, the preliminary estimates for the two "out years" arrived at using the historical average concept (as used in the Financial Status) are somewhat higher but not dramatically different.

Table 6 Comparison of "Out Year" Forecasts

Based on Oct 2018 Revenue Forecasts	Current Status	Average IHS Economics	Average All Forecasts	High Est LFO-Moody's	Low Est NDR IHS
<u>Dollar Forecast (thousands)</u>					
FY2021-22 Prelim	5,286,000	5,203,581	5,178,816	5,330,971	5,128,922
FY2022-23 Prelim	5,544,000	5,401,026	5,381,355	5,557,093	5,319,179
<u>Calculated Growth (adjusted)</u>					
FY2021-22 Prelim	5.0%	3.4%	2.9%	5.9%	2.0%
FY2022-23 Prelim	5.0%	4.3%	4.4%	4.7%	4.2%
Two Year Average	5.0%	3.9%	3.7%	5.3%	3.1%
Five Year Average	4.3%	3.9%	3.8%	4.4%	3.6%
<u>\$ Difference from Status</u>					
FY2021-22 Prelim	0	(82,419)	(107,185)	44,971	(157,078)
FY2022-23 Prelim	0	(142,975)	(162,646)	13,093	(224,821)
Cumulative Total	0	(225,394)	(269,830)	58,064	(381,899)

Impact of South Dakota v. Wayfair Ruling

The Supreme Court of the United States ruled on June 21, 2018, that states can tax sales by out-of-state businesses. Prior to the Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, states could tax sales by businesses with a physical presence in the state, but not those by businesses with no physical presence. In *Wayfair*, the Supreme Court found this physical presence rule to be “unsound and incorrect.” It determined the “economic and virtual contacts” between a state and a business to be a sufficient trigger for nexus, the connection between a business and a state that allows a state to tax a business’s transactions.

On July 27, 2018, the Department of Revenue announced that following the Supreme Court ruling in *South Dakota v. Wayfair* under current statutes certain remote sellers now have a sales tax collection responsibility on sales made to customers in Nebraska and would start collecting that tax starting January 1, 2019. *For this reason, additional sales tax amounts were added to the LFO baseline forecasts and subsequent Forecast Board forecasts, to account for the collection of taxes on these remote sellers.*

The projected amounts were based on the latest fiscal note on LB 44 considered in the 2018 session, which related to collection of sales tax from remote sellers (online retailer without a physical presence in our state). The estimate of additional sales tax revenues under that bill was a range from \$30-\$40 million.

For estimation purposes, it was assumed annual potential revenues of \$30 million in FY2018-19, \$35 million in FY2019-20 and \$40 million in FY2020-21. These numbers are all within the LB44 range and recognize inflation plus compliance improvements over time. The calculation of the adjustment amounts further assumed:

- (1) Of the total potential sales tax revenue, 50% would be attributed to marketplace providers and 50% to direct sales and
- (2) Only half of the sales tax related to marketplace providers would be remitted due to some potential collection issues, and
- (3) FY2018-19 will reflect only five months of revenues because of the January 1, 2019 operative date, only five months of revenue will be received in FY2018-19 versus a full twelve months in FY2019-20 and FY2020-21.

Based on these assumptions, on a fiscal year basis, sales tax attributed to the *Wayfair* ruling and included in the current forecasts, amount to \$9 million in FY2018-19, \$26 million in FY2019-20 and \$30 million in FY2020-21

General Fund Transfers-Out

This area tabulates funds that are transferred from the General Fund to another fund within the state treasury. These items have the same effect as an appropriation in that they reduce available funds, but are not expended as such and thus are shown under the revenue category (see line 10 on the Financial Status on page 3).

Table 7 - General Fund Transfers Out

Excludes CRF Transfers	Actual	Upcoming Biennial Budget		Following Biennium	
	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Property Tax Credit Fund	(221,000,000)	(272,000,000)	(272,000,000)	(272,000,000)	(272,000,000)
Water Resources Cash Fund	(3,300,000)	(3,300,000)	(3,300,000)	(3,300,000)	0
Cultural Preservation Endowment Fund	0	(500,000)	(500,000)	(500,000)	(500,000)
Water Sustainability Fund	(6,000,000)	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)
Victim's Compensation Fund	0	0	0	0	0
<i>General Fund Transfers-Out</i>	(230,300,000)	(286,800,000)	(286,800,000)	(286,800,000)	(283,500,000)

Property Tax Credit Cash Fund

Under this program transfers are made to the Property Tax Credit Cash Fund at the discretion of the Legislature. Based on the amount of funds available, monies are then allocated to counties by the ratio of the real property valuation in the county to the real property valuation in the state. Counties then allocate funds as credit to each tax payer again based on their proportionate value. Enacted in 2007, the amount available for credits was \$105 million in FY07-08, and \$115 million in FY08-09 through FY13-14. During the 2014 session, the FY14-15 amount was increased to \$140 million. In the 2015 session, the credit was increased by \$64 million increase to a total of \$204 million.

In the 2016 session, LB 958 made several changes dealing with the Property Tax Credit Act. Previously the property tax credit was distributed based on 100% of the taxable value of real property. Under LB 958, the credit is distributed using "credit allocation valuation" which is 120% of agricultural and horticultural land taxable value and 100% for all other real property except agricultural and horticultural land. This change would shift \$20 million of the property tax credit amounts from residential, commercial and industrial, and public service sectors to agriculture so to hold these other sectors harmless, LB958 provided language that the credit amount should be increased by \$20 million to a total of \$224 million.

The Appropriations Committee Preliminary Budget increases the transfer to the Property Tax Credit Fund by \$51 million, the same as included in the Governor's proposal.

Note that the General Fund transfer amounts shown are all \$3 million less than the credit amount. This is because the credit amount is funded through these General Fund transfers plus any interest that will be earned on the fund balance from the time of transfer to the time of reimbursement payments to the counties, and credits calculated but unpaid relating to properties receiving homestead exemptions.

Water Resources Cash Fund

These transfers were originally enacted by LB 701 (2007). The bill included transfers of \$2.7 million in both FY07-08 and FY08-09 and intent language for a \$2,700,000 General Fund transfer to occur annually from FY2009-10 through FY2018-19. LB229 enacted during the 2011 Session increased this transfer amount from \$2.7 million to \$3.3 million per year with no change in the FY2018-19 sunset. Under this current language the transfers are deleted starting in FY2019-20.

The Appropriations Committee Preliminary Budget proposes to extend the \$3.3 million transfer for three more years, FY19-20 through FY21-22. The Governor recommended extending funding for four year.

Nebraska Cultural Preservation Endowment Fund

The Cultural Preservation Endowment Fund was originally created in 1998 with a transfer of \$5 million from the General Fund. LB 1165 (2008) provided for an additional \$5 million for the endowment fund through a \$1 million transfer from the Cash Reserve Fund and another \$4 million from the General Fund provided over a series of years. After multiple alterations of the fiscal year transfers, the final transfers, which averaged \$500,000 were scheduled to expire at the end of FY2016-17. LB957 (2016) extends the transfers at \$500,000 per year starting in FY2017-18 through FY2026-27.

Water Sustainability Fund

This fund was created through LB906 passed in the 2014 session. Monies for the fund came from General Fund transfers; \$21,000,000 in FY2014-15. Of this transfer, \$10,000,000 is considered one-time as it was financed by a like transfer from the Cash Reserve Fund to the General Fund. Intent language was include that \$11,000,000 General Funds be transferred to the Water Sustainability Fund in each fiscal year beginning in FY2015-16.

General Fund Transfers In

Cash funds are funds which contain earmarked revenue sources and monies in those funds can only be used for the purposes authorized by statute. In many instances (since the 2009 special session) an authorized use of monies in a cash fund is transfers to the General Fund at the discretion of the Legislature.

Historically there have been transfers from three main sources; Securities Act Cash Fund, Tobacco Products Admin Cash Fund, and the Dept. of Insurance Cash Fund. In the 2017 and 2018 session's transfers from these traditional sources amounted \$54.2 million in FY18-19. Because of the significant budget shortfall, cash funds from non-traditional sources were also transferred to the General Fund. Overall, in FY18-19 the non-traditional transfers from 47 different funds amounted to \$44.8 million. This included \$7.5 million from the Roads Operations Fund, \$10 million from the Medicaid Intergovernmental Transfer Trust Fund (related to the Health Care Cash Fund), and \$8.5 million from the Game & Parks Capital Maintenance Fund.

The transfers shown below for FY2018-19 were enacted in the 2017 and 2018 sessions and already incorporated into the "Net Receipts" figures of the NEFAB forecasts.

The Appropriations Committee Preliminary Budget includes \$48.5 million of transfers each year, the same as in the Governor's proposal. Also included is cancellation of a \$1.5 million transfer from the Workers Compensation fund which was to occur in FY19.

Table 8 General Fund Transfers In

	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Securities Act Cash Fund	32,000,000	27,000,000	27,000,000	0	0
Dept of Insurance Cash Fund	12,250,000	12,500,000	12,500,000	0	0
Tobacco Products Admin Cash Fund	10,000,000	9,000,000	9,000,000	0	0
Medicaid Intergovernmental Transfer Trust Fund	10,000,000	0	0	0	0
Game & Parks Capital Maintenance Fund	8,500,000	0	0	0	0
Roads Operations Cash Fund	7,500,000	0	0	0	0
State Building Renewal Assessment Fund	2,900,000	0	0	0	0
DHHS Cash Fund	2,570,000	0	0	0	0
Affordable Housing Trust Fund	2,250,000	0	0	0	0
State Visitors Promotion Fund	1,000,000	0	0	0	0
State Settlement Fund	1,756,639	0	0	0	0
Workers Comp Court Cash Fund (delete 2019)	0	0	0	0	0
Other cash funds (18 different funds)	6,863,294	0	0	0	0
Total General Fund Transfers-In	97,589,933	48,500,000	48,500,000	0	0

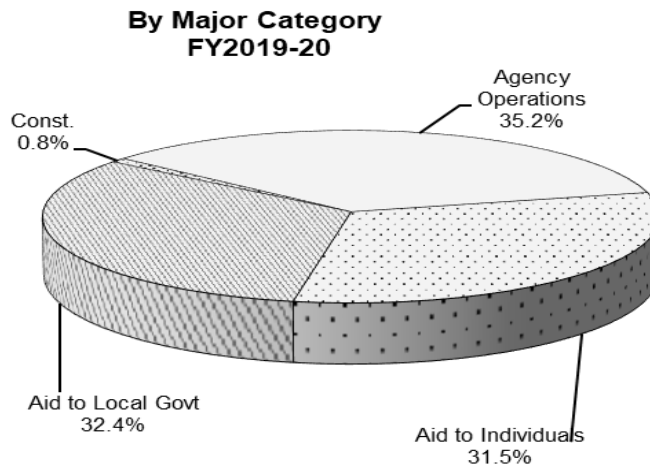
GENERAL FUND APPROPRIATIONS

Table 9 shows a summary of the current FY2018-19 General Fund appropriations (excluding deficits) and the Committee Preliminary Budget proposal for FY2019-20 and FY2020-21.

Table 10 (page 18) provides a one-page summary of the most significant increases and reductions while Table 11 and Table 12 (starting on page 28) contain a listing of proposed appropriations by agency and individual aid programs. A complete listing of individual issues starts on Page 33

Table 9 - Committee Preliminary Budget – General Funds

		Committee Preliminary		Change over Prior Yr		Change over Prior Yr		
	With deficits FY2018-19	Prelim FY2019-20	Prelim FY2020-21	FY19-20 (w/o deficits)		FY20-21 (w/o deficits)		2 Yr Avg
				\$	%	\$	%	% Change
Agency Operations								
University & State /Colleges	626,366,678	645,191,694	668,490,141	18,825,016	3.0%	23,298,447	3.6%	3.3%
Health & Human Services	236,687,805	238,581,055	244,909,255	1,893,250	0.8%	6,328,200	2.7%	1.7%
Correctional Services	211,920,240	218,127,924	226,663,144	6,207,684	2.9%	8,535,220	3.9%	3.4%
Courts	187,043,520	191,970,984	194,672,593	4,927,464	2.6%	2,701,609	1.4%	2.0%
State Patrol	60,309,294	62,089,016	63,965,542	1,779,722	3.0%	1,876,526	3.0%	3.0%
Retirement Board	52,698,171	53,638,505	54,709,010	940,334	1.8%	1,070,505	2.0%	1.9%
Revenue	26,728,444	27,259,488	27,674,896	531,044	2.0%	415,408	1.5%	1.8%
Other 38 Agencies	181,704,711	185,550,796	188,460,900	3,846,085	2.1%	2,910,104	1.6%	1.8%
Total-GF Operations	1,583,458,863	1,622,409,462	1,669,545,481	38,950,599	2.5%	47,136,019	2.9%	2.7%
State Aid to Individuals/Others								
Medicaid	849,628,184	872,590,088	938,440,609	22,961,904	2.7%	65,850,521	7.5%	5.1%
Child Welfare Aid	197,071,388	198,724,998	201,277,997	1,653,610	0.8%	2,552,999	1.3%	1.1%
Public Assistance	94,994,043	92,177,962	91,603,074	(2,816,081)	-3.0%	(574,888)	-0.6%	-1.8%
Developmental disabilities aid	150,279,443	150,880,903	149,109,636	601,460	0.4%	(1,771,267)	-1.2%	-0.4%
Behavioral Health aid	71,872,571	73,503,670	71,705,541	1,631,099	2.3%	(1,798,129)	-2.4%	-0.1%
Childrens Health Insurance (SCHIP)	6,178,073	14,258,799	26,214,830	8,080,726	130.8%	11,956,031	83.9%	106.0%
Aging Programs	9,845,789	9,845,789	10,477,701	0	0.0%	631,912	6.4%	3.2%
Higher Ed Student Aid programs	7,539,030	7,693,430	7,693,430	154,400	2.0%	0	0.0%	1.0%
Public Health Aid	6,151,907	6,114,407	6,114,407	(37,500)	-0.6%	0	0.0%	-0.3%
Business Innovation Act	6,020,352	6,020,352	6,020,352	0	0.0%	0	0.0%	0.0%
Community health centers	5,783,060	5,783,060	5,783,060	0	0.0%	0	0.0%	0.0%
All Other Aid to Individuals/Other	10,216,653	11,745,740	12,025,208	1,529,087	15.0%	279,468	2.4%	8.5%
Total-GF Aid to Individuals/Other	1,415,580,493	1,449,339,198	1,526,465,845	33,758,705	2.4%	77,126,647	5.3%	3.8%
State Aid to Local Govts								
State Aid to Schools (TEEOSA)	974,507,975	1,024,892,618	1,057,930,588	50,384,643	5.2%	33,037,970	3.2%	4.2%
Special Education	226,526,585	228,791,851	231,079,770	2,265,266	1.0%	2,287,919	1.0%	1.0%
Property Tax Credit	Transfer	Transfer	Transfer	--	--	--	--	--
Aid to Community Colleges	98,575,874	100,547,391	102,558,339	1,971,517	2.0%	2,010,948	2.0%	2.0%
Homestead Exemption	84,100,000	88,700,000	92,000,000	4,600,000	5.5%	3,300,000	3.7%	4.6%
Personal Property Tax Relief Act	14,200,000	14,400,000	14,800,000	200,000	--	400,000	100.0%	2.1%
Aid to ESU's	13,085,000	13,352,558	13,613,976	267,558	2.0%	261,418	2.0%	2.0%
High ability learner programs	2,202,384	2,342,962	2,342,962	140,578	6.4%	0	0.0%	3.1%
Early Childhood programs	8,274,583	8,619,357	8,619,357	344,774	4.2%	0	0.0%	2.1%
Community Based Juvenile Services	6,048,000	6,048,000	6,048,000	0	0.0%	0	0.0%	0.0%
Resources Development Fund	3,014,712	0	0	(3,014,712)	-100.0%	0	0.0%	-100.0%
Other Aid to Local Govt	4,970,146	5,069,394	5,069,394	99,248	2.0%	0	0.0%	1.0%
Total-GF Aid to Local Govt	1,435,505,259	1,492,764,131	1,534,062,386	57,258,872	4.0%	41,298,255	2.8%	3.4%
Capital Construction	21,739,000	38,630,811	27,393,789	16,891,811	77.7%	(11,237,022)	-29.1%	12.3%
Total Appropriations	4,456,283,615	4,603,143,602	4,757,467,501	146,859,987	3.3%	154,323,899	3.4%	3.3%

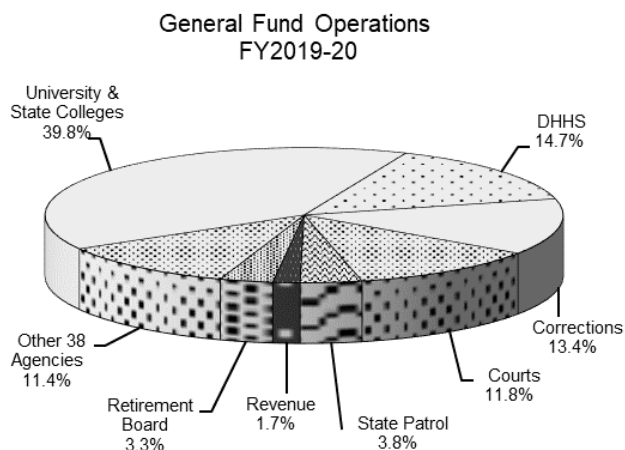


The numbers in the Committee Preliminary Budget are the net result of over 200 individual issues which reflect both increases to and reductions from the current year appropriation.

A complete listing of individual issues starts on page 33. The following highlights some major changes in each category.

Agency Operations

This area accounts for the costs of actually operating state agencies including costs such as employee salaries and benefits, data processing, utilities, vehicle and equipment purchases, fuel and oil, etc... In the FY2019-20 proposed budget, 35.2% of all General Fund appropriations are for agency operations. Although there are 47 state agencies that receive General Fund appropriations, higher education (University of Nebraska and State Colleges) and the six largest agencies (Health and Human Services, Corrections, Courts, State Patrol, Revenue, and Retirement Board) account for 89% of state operations. Note that all of the General Funds for the Retirement Board are actually state contributions for the K-12 School employee retirement plan. They are not shown under aid to local governments as the monies are placed directly into the retirement fund and are not actually paid to a school district.



General Funds for agency operations shows a net \$38.9 million increase (2.5%) in FY19-20 and a \$47.1

million increase (2.9%) in FY20-21. The most significant increases in operations in FY19-20 are salary and health insurance increases for state employees including University of Nebraska and State Colleges. Salary increases basically range from 2.0% to 2.5% amount to \$32.7 million while health insurance cost increases range from 3% to 5% and amount to \$3.8 million.

Other FY20 increases include \$4.2 million for additional staffing and programming in the Dept. of Correctional Services, \$1.2 million for additional probation funding as part of the continued phase-in of LB605-Justice Reinvestment Act, 41.6 million for initial operating costs related to Medicaid Expansion, and \$2.0 million for Nebraska Talent Scholarships at the University and State Colleges.

These increases were offset by several reductions including \$5.9 million due to suspension of the economic eligibility system development in DHHS, and a one-time \$4.2 million shift to cash funds in the Dept. of Correctional Services.

The increase in FY20-21 mostly is the result of second year salary and health insurance costs, \$29.4 million and \$7.9 million respectively.

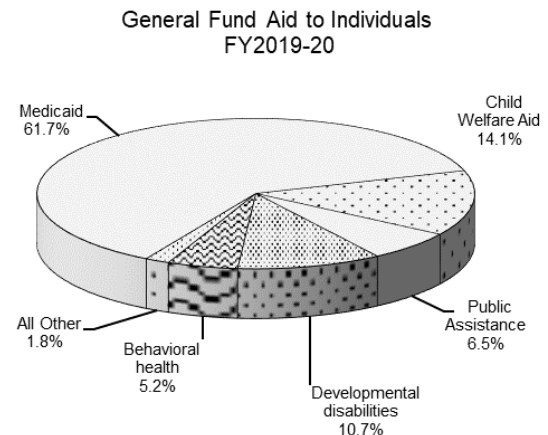
State Aid to Individuals / Others

Aid to Individuals/Other includes programs such as Medicaid, public assistance programs, child welfare services and student scholarships where state funds are provided for the direct benefit of an individual. This area also includes aid to quasi-government units, which are those local agencies that do not have the authority to levy property taxes. This would include entities such as area agencies on aging, mental health regions and developmental disability regions.

This area has a 2.4% increase in FY2019-20 (\$33.7 million) and a 5.3% increase (\$77.1 million) in FY20-21. Significant increases in FY2019-20 include, provider rate increases (\$29.2 million), Medicaid eligibility and utilization (\$16.3 million), first year net cost of Medicaid Expansion (\$16.8 million) and phase-in expiration of the enhanced federal match rate for Children's Health Insurance. (\$8.1 million). These increase were offset by \$38 million savings due to an increase in the Federal Medical Assistance Percentage (FMAP).

The provider rate increase included are 2% per year for Medicaid, child welfare, and Children's Health Insurance. Provider increase for behavioral health are based on the cost model (approximately 4% each year) while the developmental disability provider increase is approximately 4% each year based on the results of a rate/methodology study.

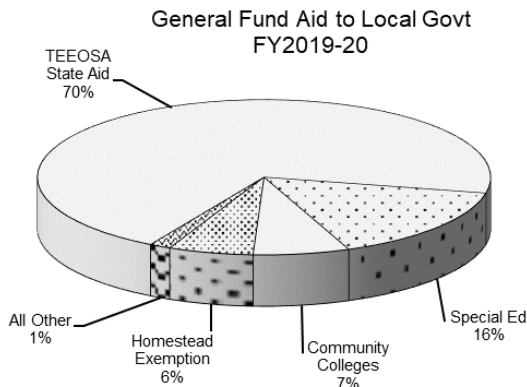
The FY2020-21 increase is higher in that Medicaid expansion costs increase from \$16.8 million to \$41.4 million due to a full 12 months cost, and a projected health insurance provider fee of \$15.5 million is included in Medicaid.



State Aid to Local Governments

Aid to Local Governments accounts for aid payments to local governments that have the authority to levy a property tax such as cities, counties, K-12 schools, community colleges, natural resource districts (NRD's), and educational services units (ESU's).

Aid to local governments receives a \$57.3 million (4.0%) increase in FY2019-20 and another \$41.3 million (2.8%) increase in FY2020-21.



Because TEEOSA school aid accounts for 70% of all aid to local governments, TEEOSA also significantly influences the growth rate in this category. The Appropriations Committee preliminary budget funds TEEOSA aid at a 4.2% per year average increase, \$50.4 million (5.2%) in FY19-20 and an additional \$33 million (3.2%) in FY20-21. Under current law, the FY19-20 amount based on the Dept. of Education pre-certification estimate provided in January 2019 would be a 7.8% increase driven by the local effort rate returning to \$1.00 from the \$1.023 where it was for two years in the last biennium. The FY20-21 amount was estimated at only a .7% increase due to lower spending and higher valuations. The Committee Preliminary Budget incorporates the provisions of LB588 which sets the local effort rate at \$1.02 for FY19-20 and

then returns to the current law level of \$1.00 starting in FY20-21. This change lowers the first year growth from 7.8% to 5.2% while growth in the second year number, which remains unchanged, then becomes 3.2% over the lower FY20 level.

The preliminary budget also provides for a 1% per year increase in Special Education (\$2.2 million each year) and a 2% per year increase in funding for Community College (about \$2.0 million each year)

Homestead Exemption reimbursement and the Personal Property Tax Relief act are both based on estimated funding required under current law taking into consideration actual FY18-19 funding needs inflated into the next two years. This results in a \$4.6 million (5.5%) increase in Homestead exemption reimbursements in FY19-20 and a \$200,000 (1.4%) increase in funding for the Personal Property Tax Relief act.

The committee also included \$584,600 to restore cuts made in FY19 to 11 different aid programs under the Dept. of Education including high ability learners, early childhood grants and endowment program.

Capital Construction

All of the General Funds included in the committee preliminary budget for capital construction are to cover the dollar amounts needed to complete funding of projects approved in previous sessions, commonly referred to as reaffirmations. There is a large increase in FY2019-20, \$16.9 million (77%) which is virtually all due to the State Capitol HVAC project shifting from Nebraska Capital Construction Funds (NCCF) to General Funds starting in FY2019-20

With respect to new construction, the Governor and Appropriation Committee included funding for additional high security housing units under the Dept. of Correctional Services. This \$49 million project, financed with a Cash Reserve Fund transfer to the Nebraska Capital Construction Fund, is for 384 beds capable of housing maximum security male inmates. It consists of two housing units, one housing unit is for 128 beds (single occupancy cells), and the other housing unit is for 256 beds (double occupancy cells) and includes support components providing educational and rehabilitative programming and adjoining outdoor recreation areas. The two new buildings will be placed on the grounds of Lincoln Correctional Center (LCC) and connected either by exterior walkways or enclosed corridors. The new housing units will utilize services of the existing LCC and the newly created Reception and Treatment Center (RTC) for support functions such as food service, medical, visitation, and administration.

Table 10 Significant Increases and Reductions
(numbers are \$ changes compared to the FY19 Base)

<i>Amounts shown are \$ change from FY19 base year</i>		Committee Preliminary		
		FY2019-20	FY2020-21	Two Yr total
1	<u>SIGNIFICANT INCREASES:</u>			
2	TEEOSA Aid to Schools (General Funds only)	50,384,643	83,422,613	133,807,256
3	Provider rates, DHHS aid programs	29,224,339	50,111,058	79,335,397
4	Medicaid (other than FMAP, provider rates, expansion)	17,777,785	49,376,334	67,154,119
5	Medicaid expansion (net)	18,425,514	44,702,744	63,128,258
6	Salaries & Health Insurance (University+Colleges)	16,920,148	38,218,595	55,138,743
7	Salaries & Health Insurance (Agencies)	19,598,574	35,649,190	55,247,764
8	Childrens Health Insurance (SCHIP) (special FMAP expires)	8,103,686	19,181,115	27,284,801
9	Capital Construction	16,891,811	5,654,789	22,546,600
10	Homestead Exemption	4,600,000	7,900,000	12,500,000
11	Staffing, programs, equipment (Corrections)	4,230,234	4,805,263	9,035,497
12	Special Education	2,265,266	4,553,185	6,818,451
13	Nebraska Talent Scholarships (Workforce Development)	2,260,000	4,520,000	6,780,000
14	Operating inflation+DAS rates (State Agencies)	3,113,770	3,632,238	6,746,008
15	Community Colleges	1,971,517	3,982,465	5,953,982
16	Retirement, K-12 School / Judges / Patrol	940,334	2,010,839	2,951,173
17	Youth Talent Initiative	1,250,000	1,250,000	2,500,000
18	Justice Reinvestment Act (Courts)	1,168,373	1,168,373	2,336,746
19	Behavioral Health aid (other than FMAP, provider rates, expansion)	622,798	1,579,669	2,202,467
20	Personal Property Tax Relief Act	200,000	600,000	800,000
21	Juvenile justice, increased costs (Courts)	264,661	534,614	799,275
22	Aid to ESU's	267,558	528,976	796,534
23	Annualize LB 259 competency determinations (Courts)	359,493	359,493	718,986
24	Aging programs (other than provider rates)	0	631,912	631,912
25	Subtotal-Increases Listed	200,840,504	364,373,465	565,213,969
26	<u>SIGNIFICANT REDUCTIONS:</u>			
27	Federal Medicaid Match rate (FMAP, op & aid)	(38,955,826)	(53,152,341)	(92,108,167)
28	Information technology / charges (DHHS)	(5,900,000)	(5,900,000)	(11,800,000)
29	Resources Development Fund	(3,014,712)	(3,014,712)	(6,029,424)
30	Public Assistance (other than FMAP, provider rates, expansion)	(2,259,715)	(2,278,237)	(4,537,952)
31	Fund mix (Corrections)	(4,200,000)	0	(4,200,000)
32	Developmental Disability aid (other than FMAP, provider rates)	(198,720)	(198,720)	(397,440)
33	Subtotal-Reductions Listed	(54,528,973)	(64,544,010)	(119,072,983)
34	<u>OTHER NOT LISTED (NET)</u>	548,456	1,354,431	1,902,887
35	<u>TOTAL GENERAL FUND CHANGE</u>	146,859,987	301,183,886	448,043,873

Aid to Local Governments

State Aid to Schools (TEEOSA)

The following table reflects the estimate for TEEOSA state aid under the current law. Following that is a transition from current law to the inclusion of LB588 which then equals the Committee Preliminary Budget. With current law as adjusted with LB588, the committee preliminary budget includes TEEOSA increased aid of \$51,478,422 (5.1%) in FY2019-20 and an additional \$33,537,970 (3.2%) in FY2020-21

TEEOSA – Current Law	All Funds FY2018-19	All Funds FY2019-20	All Funds FY2020-21	All Funds FY2021-22	All Funds FY2022-23
School Disbursements	3.38%	4.23%	2.80%	4.0%	4.0%
Property Valuations (assessed)	2.88%	1.69%	2.16%	1.71%	1.84%
Property Valuations (used in formula)	4.03%	4.70%	4.37%	2.9%	3.0%
Cost Growth Factor	3.00%	4.00%	5.00%	5.00%	5.00%
Local Effort Rate	\$1.0203	\$1.000	\$1.000	\$1.000	\$1.000
Total Formula Need	3,535,590,990	3,681,829,521	3,799,074,808	3,951,037,801	4,109,079,313
Effective Yield from Local Effort Rate	2,032,079,444	2,085,546,107	2,176,737,536	2,240,049,933	2,307,837,997
Net Option Funding	102,541,643	115,099,685	117,839,211	122,552,780	127,454,891
Allocated Income Tax	42,333,888	45,660,206	48,399,818	50,335,811	52,349,244
Other Actual Receipts	504,003,571	518,304,122	536,906,685	553,901,795	571,426,796
Community Achievement Plan Aid	6,197,049	6,501,807	6,505,138	6,765,343	7,035,957
Total Formula Resources	2,687,155,595	2,771,111,927	2,886,388,387	2,973,605,662	3,066,104,884
Calculated Equalization Aid	848,435,395	910,717,594	912,686,421	977,432,139	1,042,974,428
Net Option Funding	102,541,643	115,099,685	117,839,211	122,552,780	127,454,891
Allocated Income Tax	42,333,888	45,660,206	48,399,818	50,335,811	52,349,244
Community Achievement Plan Aid	6,197,049	6,501,807	6,505,138	6,765,343	7,035,957
Transition Aid	906,222	0	0	0	0
TEEOSA State Aid	1,000,414,197	1,077,979,292	1,085,430,588	1,157,086,073	1,229,814,519
State General Funds	974,507,975	1,050,979,292	1,057,930,588	1,129,173,573	1,201,204,207
Insurance Premium Tax (w/o deficit)	25,000,000	27,000,000	27,500,000	27,912,500	28,610,313
Lottery funds, reorg incentives, transition aid	906,222	0	0	0	0
Total TEEOSA Aid	1,000,414,197	1,077,979,292	1,085,430,588	1,157,086,073	1,229,814,519
Dollar Change from prior year - Total	1,672,443	77,565,095	7,451,296	71,655,485	72,728,447
Percent Change from prior year - Total	0.2%	7.8%	0.7%	6.6%	6.3%

Most of the growth in TEEOSA aid over the next biennium is attributed to the expiration of two formula changes enacted two years ago to lower aid at that time; increasing the local effort rate and lowering the allowable growth rate which lowered the cost growth factor to 3% and then 4%.

Because of the large growth in the first year and very low in the second year, the Committee included the provisions of LB588 into their preliminary budget which sets the local effort rate at \$1.02 for FY19-20 and then returns to the current law level of \$1.00 starting in FY20-21. This change lowers the first year growth from 7.8% to 5.2% while growth in the second year number, which remains unchanged, then becomes 3.2% over the lower FY20 level. The following table shows the change under the bill

LB 588 Change the LER	FY2018-19	FY2019-20	FY2020-21
LER Current Law	1.0203	1.0000	1.0000
LER under LB 588	1.0203	1.0200	1.0000
Total TEEOSA Aid - Current Law	1,000,414,197	1,077,979,292	1,085,430,588
Total TEEOSA Aid - LB 588	1,000,414,196	1,051,892,618	1,085,430,588
Difference		(26,086,674)	0
Total TEEOSA Aid - \$ Change with LB 588		51,478,422	33,537,970
Total TEEOSA Aid - % Change with LB 588		5.1%	3.2%
Total TEEOSA Aid - % Change 2 yr avg with LB 588			4.2%

Special Education

The agency request included a 10% increase for both FY19-20 and FY20-21 which is the maximum authorized by statute. Statute provides for a 10% cap on increases in Special Education reimbursement starting in FY14-15 as amended by LB974-2014. The previous cap was 5%. The Committee Preliminary budget for FY20 and FY21 includes a 1.0% per year increase, the same as the Governors recommendation.

Aid to ESU's

The amount of aid to ESU's is based on funding of a certain level of core services and technology infrastructure. The agency request included a percentage growth amount based on the allowable growth rate plus the percentage growth in fall membership for member districts, approximately 3.6% per year increase. The Committee Preliminary Budget includes an increase of 2.0% per year.

Homestead Exemption

This program is projected to increase by 3.9% in FY20 and 3.7% in FY21 based FY18-19 actual reimbursements and the Dept of Revenue best estimate for the next two years.

Personal Property Tax Relief Act

LB 259 enacted in the 2015 session, adopted the Personal Property Tax Relief Act. The bill provides for an exemption from the property tax on the first \$10,000 of valuation of tangible personal property in each tax district in which a personal property tax return is required to be filed. Because agricultural personal property valuation has been relatively flat, the agency request (and projected budget) for FY20 reflects a 1.4% increase with a 2.8% increase in FY21.

Aid to Community Colleges

A 2.0% per year annual increase is included in the Committee Preliminary Budget reflecting increased state aid to support operations budget increases. This increase amounts to about a \$2.0 million per year increase.

Aid to Individuals/Other

Medicaid

For the upcoming biennium, the Committee Preliminary Budget is based on the agency request for eligibility and utilization increases and increase in federally required clawback amounts. Also included is a 2.0% increase in provider rates which were not included in the agency request.

Overall increase in General Funds is 2.8% in FY19-20 which includes \$16.3 million for eligibility and utilization increases, \$1.4 million for clawback increases, and \$16.7 million for provider rates. This is offset by a \$29.8 million reduction in General Funds due to an increase in the federal Medicaid match rate (FMAP).

Also included is a net increase of \$19.3 million related to the Medicaid expansion initiative which passed November 6, 2018. This first year is just a half year and the impact ramps up in future years. A more detailed review can be found on page 21.

Each year the Federal Medical Assistance Percentage (FMAP) rate changes based on a federal formula based on state personal income and per capita data. The result of these changes are adjustments to the federal government's share of coverage for Medicaid expenses, which in turn impacts the GF for payment of Medicaid services. The final published FMAP for FFY2019 is relatively flat, only increasing by .03% from 52.55% in FFY2018 to 52.58% in FFY2019. The FMAP for FFY2020 will be 54.72% which is a substantial increase of 2.14% which affects nine months of FY2019-20 and a full twelve months of FY2020-21.

This projected status also includes a \$15.5 million request for a health insurance provider fee in FY20-21. Nebraska (and other states paid tax liabilities for the tax years of 2013 and 2014 prior to a moratorium on this tax effective for the tax years of 2015 and 2016. That moratorium expired for tax year 2017 but the Continuing Resolution passed January 22, 2018 reinstated a moratorium on this tax for calendar year 2018 only. At this time, it's unclear whether the moratorium will be extended.

Medicaid	Previous Biennium		Biennial Budget	
	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Base Year appropriation	850,259,344	850,259,344	849,628,184	849,628,184
Federal match rate (FMAP)	(12,716,384)	(29,492,945)	(29,788,498)	(39,717,998)
Utilization	17,029,722	34,427,687	16,319,271	31,206,745
Cost Increases / Provider Rates	(24,215,008)	(24,215,009)	16,733,144	33,613,684
Increase base of PPS hospitals	2,600,000	2,600,000	0	0
Medicare Part B Premiums (annualize deficit)	5,761,146	5,539,296	0	0
Federal Clawback Increase (annualize defici)	4,399,059	8,228,279	0	0
Fiscal agent for home care	(819,185)	(819,185)	0	0
Terminate the Telligen Contract	(119,648)	(119,648)	0	0
Reduce aid to cover cost of financial auditor contract	(220,000)	(290,000)	0	0
Managed Care Savings, Episodes of Care	(6,114,252)	(6,114,252)	0	0
Increased Medicaid Drug Rebates	(2,300,000)	(2,300,000)	0	0
Rural Health Clinics	(76,160)	(76,160)	0	0
Cap the maximum payment for adult dental at \$750.	(403,374)	(403,374)	0	0
LB 268 Change notification provisions, Medicaid	0	(384,000)	0	0
Clawback (Phased-Down State Contribution	0	0	1,458,514	2,690,851
Health Insurance Provider Fee	0	0	0	15,478,738
Medicaid expansion - new eligibles and woodwork	0	0	19,826,774	49,269,837
Medicaid expansion - savings, women with cancer	0	0	(535,302)	(1,070,732)
Total – New Appropriation	833,065,260	836,840,033	873,642,087	941,099,309
Annual \$ Change (excluding deficits)	(17,194,084)	16,562,924	24,013,903	67,457,222
Annual % Change (excluding deficits)	-2.0%	2.0%	2.8%	7.7%

Medicaid Expansion

Initiative 427 was a proposal to expand the Medicaid program to cover low income parents and childless adults, 19 to 64 years of age, under the provisions of the Affordable Care Act (ACA). This ballot initiative was similar to several bills that have been proposed over the past six years. This initiative was adopted on November 6, 2018.

The Committee Preliminary Budget includes the costs of Medicaid expansion as projected by Dept. of Health and Human Services (DHHS) and included in the Governors recommendation. In their report on the cost of Medicaid expansion, DHHS stated that their estimates were built upon analyses of the past legislative proposes and the experience of other states that have opted into the ACA Medicaid Expansion.

The Legislative Fiscal Office estimate of Medicaid expansion concurred with DHHS in the projected gross costs but included higher savings and offsets. The Committee Preliminary Budget includes the more conservative estimated of the savings.

Medicaid Expansion Costs	FY2019-20*	FY2020-21	FY2021-22	FY2022-23
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Gross Expansion Costs

Additional Enrollees	57,592	70,882	88,602	89,223
Match Rate	90.0%	90.0%	90.0%	90.0%
Per Member Per Month Cost	\$489.59	\$495.26	\$500.91	\$516.69

New Eligibles and Woodwork (aid)

General	-	19,826,774	49,269,837	62,416,513	64,833,312
Federal	-	149,351,013	371,139,560	470,170,776	488,376,023
Total	-	169,177,787	420,409,397	532,587,289	553,209,335

Administrative Costs

General	-	1,575,408	2,256,371	2,560,998	2,702,696
Federal	-	3,012,304	2,736,371	3,040,998	3,182,696
Total	-	4,587,712	4,992,742	5,601,996	5,885,392

General	Gross Total	21,402,182	51,526,208	64,977,511	67,536,008
Federal	Gross Total	152,363,317	373,875,931	473,211,774	491,558,719
Total	Gross Total	173,765,499	425,402,139	538,189,285	559,094,727

General Fund Offsets & Savings

State Disability	(556,366)	(1,112,732)	(1,134,987)	(1,157,686)
Behavioral Health	(1,885,000)	(4,640,000)	(5,800,000)	(5,916,000)
Women with Cancer	(535,302)	(1,070,604)	(1,092,016)	(1,113,856)
Pregnant Women	0	0	0	0
CHIP 599	0	0	0	0
Corrections	0	0	0	0

General	Savings Total	(2,976,668)	(6,823,336)	(8,027,003)	(8,187,542)
Federal	Savings Total	0	0	0	0
Total	Savings Total	(2,976,668)	(6,823,336)	(8,027,003)	(8,187,542)

Net Expansion Costs

General	Net Total	18,425,514	44,702,872	56,950,508	59,348,466
Federal	Net Total	152,363,317	373,875,931	473,211,774	491,558,719
Total	Net Total	170,788,831	418,578,803	530,162,282	550,907,185

LFO General Fund Estimates

Gross expansion costs	21,402,182	51,526,208	64,977,511	67,536,008
Offsetting savings	(6,567,919)	(18,284,705)	(26,101,892)	(26,101,892)
Net GF Costs	14,834,263	33,241,503	38,875,619	41,434,116

DHHS General Fund Estimates (9/21/18 report)

Gross expansion costs	21,402,182	51,526,208	64,977,511	67,536,008
Offsetting savings	(2,976,668)	(6,823,336)	(8,027,003)	(8,187,542)
Net GF Costs	18,425,514	44,702,872	56,950,508	59,348,466

Children's Health Insurance (SCHIP)

For the upcoming biennium, the projected budget includes no increase in eligibility and utilization (based on the agency request) and a reduction due to an increase in the basic federal match rate (FMAP). This preliminary budget includes a 2.0% per year increase in provider rates.

There is a large increase due to the expiration of the enhanced Federal match rate. The Affordable Care Act included an additional 23% enhanced match rate which was added to the basic match rate. In the ACA this was to expire Sept 2019 (end of FFY2019). The SCHIP extension bill passed in January 2018 extended the enhanced FMAP to FFY2020 only, at a 11.5% rate. Additional General Funds to replace the expired enhanced FMAP amount to \$7.5 million in FY19-20 and \$18.4 million in FY20-21.

Public Assistance

For the upcoming biennium, the Committee Preliminary Budget includes a base reduction of \$2.2 million due to lower than projected spending in several areas. Also includes is a reduction of \$556,366 in FY20 and \$1,112,732 in FY21 for savings in state disability due to Medicaid Expansion. There are no other adjustments for eligibility, utilization, or rate increases.

The projected budget includes no General Funds for provider rate increases but includes \$2.1 million of federal child care block grant funds for child care market rate increases.

Child Welfare

Like Public Assistance for the upcoming biennium, the agency request includes no increase for eligibility, utilization, or rate increases. The Committee Preliminary Budget includes no change in eligibility or utilization but does include a 2.0% per year provider rate increase costing \$2.7 million in FY20 and \$5.6 million in FY21. The preliminary budget also reflects savings due to the higher federal FMAP amounting to \$1.1 million in FY20 and \$1.4 million in FY21.

Developmental Disability Aid

Funding for developmental disability aid increases by only 0.4% in FY19-20 and -1.2% in FY20-21. This includes funding a rate increase in FY20 (roughly 4% \$5.9 million) related to a revised rate/reimbursement model offset by an increase in the federal Medicaid match rate (-\$5.0 million).

The Division of Developmental Disabilities is currently working with an actuarial firm to study the rates for Medicaid DD Home and Community-Based Services (HCBS) Waivers. The study produced a revised rate/reimbursement model based on the actual costs to provide the services. Implementation of this model would increase the cost of these services to the state by approximately 6.6%. This issue would provide partial funding to implement this rate model. CMS expectation is that states conduct rate studies every five years and, if necessary, rebase rates. Nebraska last performed a rebase study in 2011. The rate methodology from the 2011 study was implemented in July 2014.

The agency request and this preliminary budget does not include any additional funds for clients transitioning from K-12 programs or reducing the waiting list.

Behavioral Health Aid

This area includes substance abuse and mental health aid. Similar to Public Assistance and Child Welfare, the agency request includes no increase for eligibility or utilization. The agency did request \$2.9 million in FY2019-20 for a cost model rate increase. This is roughly a 4% increase. With no additional funds in the second year, it relates to a 2% average. This is included in the Committee Preliminary budget

There is also a reduction of \$1,885,000 in FY20 and \$4,640,000 in FY21 as cost savings related to the Medicaid expansion.

Health Aid

The Appropriations Committee preliminary budget does not include the Title X family planning language included in the Governors proposed budget.

For the Appropriations Committee, the preliminary budget is the first step in developing the final budget recommendations that the committee will be presenting to the entire Legislature. In this process the committee is not simply revising the Governors recommendation but building their own recommendation which entails obtaining five affirmative votes to include Items in that recommendation.

Notwithstanding the fact that the language was included for the first time in the previous biennial budget and was included in the Governor's recommendation this biennium, inclusion of this language in the committee preliminary budget did not receive the affirmative five votes and thus is not included in the preliminary budget. Among the issues considered was not just whether the language was necessary or not but whether such language should be in a budget bill or should be codified in substantive law.

State Agency Operations

Employee Salary Increases (State Agencies)

The budget instructions had state agencies include a 2% per year increase as a "placeholder", and in the absence of collective bargaining agreements the Governors recommendation included the same 2% per year increase. Since that time, there have been agreements for the three of the four major bargaining units and the committee preliminary budget includes funding for those.

Nebraska Association of Public Employees (NAPE-AFSCME) Collective bargaining agreements have been reached with NAPE-AFSCME on a labor contract for FY2019-20 and FY2020-21 which calls for the equivalent of 2.3% per year increase.

State Law Enforcement Bargaining Council (SLEBEC) also reached agreement where the pay increase is the equivalent of 3.8% in FY20 and 4.2% in FY21.

Protective Service Workers (Fraternal Order of Police FOP) This unit basically bargains for correctional services workers. The state reached an impasse with this unit and they currently are at the CIR. In the absence of an agreement, the preliminary budget includes funding at the same level as the NAPE Master, a 2.3% per year increase.

Non-Bargaining Employees This category covers employees who are not eligible for bargaining. This includes certain supervisory and management positions, and employees under constitutional agencies such as the Legislative Council, Governor, Secretary of State, Attorney General, etc... For budgeting purposes, the committee preliminary budget includes funding for the same increase as the NAPE/AFSCME Master Contract as noted above, 2.3% per year

Overall general fund costs for the FY20 and FY21 salary increases amount to \$12.7 million in FY2019-20 and \$25.8 million in FY2020-21. In addition, \$4.2 million was added in each year to annualize (full 12 months funding) for the 1.5% January 1, 2019 increase which was only partially funded in the FY19 base year.

Employee Health Insurance (State Agencies)

At the present time health insurance rates and cost increases for FY2019-20 and FY2020-21 have not been set. The Governors recommendation included a 3% per year increase and this was also included in the Committee Preliminary budget. Overall general fund costs amount to \$2.8 million in FY2019-20 and \$5.8 million in FY2020-21

Court System

In the 2015 session, the Legislature enacted LB 605 to begin addressing overcrowding in the correctional system. LB 605 expands the use of probation in lieu of incarceration, ensures that more people receive supervision upon release from prison, and bolsters parole supervision practices to reduce recidivism. Costs are projected to increase over the following two years as more offenders are applicable to the bill provisions. The projected budget for FY19-20 includes \$1,168,373 as the last year of the five year phase-in for additional probation and court staff.

As part of the LB561 juvenile justice system changes, funds were shifted from child welfare aid to the courts budget. When this funding/programs were under DHHS, some level of price adjustments were historically provided. The preliminary budget includes a 2% per year rate increase amounting to \$264,661 in FY20 and to \$531,614 in FY21.

Also, LB259 passed in the 2017 session related to competency and financial ability provisions relating to court proceedings but the bill had a delayed operative date of July 1, 2019. The preliminary budget includes \$359,493 to cover these costs.

Correctional Services

In 2017 the Governor recommended staffing increases funded over two years of the FY18 / FY19 biennial budget. The Legislature enacted the same staffing increases but phased-in over a three year period. The FY2019-20 request and projected budget basically includes those additional staff. Other specific items are shown below.

Description	FY2019-20	FY2020-21
One-Time Cash Fund Appropriation, reduce Gen Funds	(4,200,000)	0
Additional staff per staffing analysis	1,867,979	3,729,546
Electronic Health Records System (EHRS)	1,346,927	97,425
Lease/purchase, new power plant	450,000	450,000
Inmate Programming	250,000	250,000
Facility Staffing – 4.0 Unit Case Managers	231,995	236,625
Kronos Upgrade (Prog. 200)	83,333	41,667
OCIO IT Consolidation (net)	975,330	975,330
Total Issues	1,005,564	5,780,593

University of Nebraska

In the past several biennium, a general overall budget increase has been provided to the University of Nebraska and State Colleges. In the preliminary budget, these general increases are included at a level to cover estimates of salary and health insurance increased costs. For salary, a 2.0% increase was included based on bargaining for UNO and UNK faculty at a cost of \$14.6 million in FY20 and \$29.4 million in FY21. For health insurance, the University is anticipating increases of 3.2% on January 1, 2020 and 8.7% on Jan 1, 2021 with costs \$502,400 in FY20 and \$5,025,900 in FY21.

The Committee Preliminary Budget also includes \$1 million in FY20 and \$2 million in FY21 for Nebraska Talent Scholarships as proposed by Governor

State Colleges

In the past several biennium, a general overall budget increase has been provided to the University of Nebraska and State Colleges. In the preliminary budget, these general increases are included at a level to cover estimates of salary and health insurance increased costs. For salary, a 2.5% increase was included based on faculty bargaining agreements a cost of \$1.4 million in FY20 and \$2.8 million in FY21. For health insurance, the state colleges project increases of 4.99% each year with costs \$438,107 in FY20 and \$898,163 in FY21.

Like the University, the Committee Preliminary Budget also includes \$1 million in FY20 and \$2 million in FY21 for Nebraska Talent Scholarships as proposed by Governor

Defined Benefit Retirement Plans

The agency request for FY20 and FY21 reflects a modest increase in state support for the defined benefit retirement systems. Overall the increase amounts to \$.9 million in FY19-20 and \$2.0 million in FY20-21. The amounts funded are from the November 2018 actuarial experience study and valuations.

Description	FY2019-20	FY2020-21
School Employee 2% of Salary.	1,204,231	2,060,622
Omaha Public School (OPS) Employee 2% of Salary.	309,726	489,434
Omaha Public School (OPS) Employee Service Annuity.	5,128	(243,169)
Judges' ARC.	(225,014)	(158,613)
State Patrol ARC.	(353,737)	(137,435)
Total Issues	940,334	2,010,839

Operations Costs

The projected budget does not include any general inflationary increases for agency operating budgets. The largest increases in operating costs for the FY20/FY21 biennium related to DAS rate charges in a variety of agencies. At a statewide level, these amounted to about a \$3.1 million in FY19-20 and \$3.6 million in FY20-21.

Capital Construction

All of the General Funds included in the committee preliminary budget for capital construction are to cover the dollar amounts needed to complete funding of projects approved in previous sessions, commonly referred to as reaffirmations. There is a large increase in FY2019-20, \$16.9 million (77%) which is virtually all due to the State Capitol HVAC project shifting from Nebraska Capital Construction Funds (NCCF) to General Funds starting in FY2019-20.

With respect to new construction, the Governor and Appropriation Committee included funding for additional high security housing units under the Dept. of Correctional Services. This \$49 million project, financed with a Cash Reserve Fund transfer to the Nebraska Capital Construction Fund, is for 384 beds capable of housing maximum security male inmates. It consists of two housing units, one housing unit is for 128 beds (single occupancy cells), and the other housing unit is for 256 beds (double occupancy cells) and includes support components providing educational and rehabilitative programming and adjoining outdoor recreation areas. The two new buildings will be placed on the grounds of Lincoln Correctional Center (LCC) and connected either by exterior walkways or enclosed corridors. The new housing units will utilize services of the existing LCC and the newly created Reception and Treatment Center (RTC) for support functions such as food service, medical, visitation, and administration.

		Fund	2019-20	2020-21
REAFFIRMATIONS				
#46-Corrections	Reception and Treatment Center - DEC & LCC	NCCF	34,882,173	0
#50-Colleges	Deferred maintenance/repair (LB605-2006 and LB957-2016)	General	1,125,000	1,125,000
#50- Colleges	WSC Conn Library & CSC Rangeland Center (bond payment)	General	2,216,000	2,216,000
#51-University	UNMC College of Nursing Lincoln Facility (bond payment)	General	1,477,000	1,477,000
#51-University	Deferred maintenance/repair (LB605-2006 and LB957-2016)	General	11,000,000	11,000,000
#51-University	NCTA Education Center	General	820,000	820,000
#51-University	IANR Veterinary Diagnostic Center (bond payment)	General	5,101,000	2,165,928
#65-DAS	State Capitol HVAC system replacement	General	16,391,811	8,089,861
#65-DAS	State Capitol improvements	General	500,000	500,000
NEW CONSTRUCTION				
#28-Vets Affairs	Eastern Nebraska Veterans Home addition	NCCF	3,308,000	
#31-Military Dept	Penterman Readiness Center Medical Addition (Lincoln)	NCCF	687,500	0
#31-Military Dept	1776 Readiness Center Remodel / HVAC Replacement (Lincoln)	NCCF	100,000	500,000

Continued		Fund	2019-20	2020-21
#46-Corrections	High Security Housing Units - RTC (LCC)	NCCF	2,080,000	31,989,000
#46-Corrections	Security System Upgrades	NCCF	1,250,000	1,250,000
#46-Corrections	Infrastructure and Maintenance	NCCF	2,000,000	2,000,000
#46-Corrections	State Penitentiary Dormitory project	NCCF	0	0
#47-NETC	Radio Transmission Equipment Replacement	NCCF	270,000	120,000
#47-NETC	KLNE Lexington Transmitter	NCCF	480,000	0
#47-NETC	Tower Lighting Projects	NCCF	135,000	140,000
#47-NETC	KXNE Norfolk Transmitter	NCCF	0	427,000
Total General Fund			38,630,811	27,393,789
Total NCCF			45,192,673	36,426,000
Total Construction (Gen+NCCF)			83,823,484	63,819,789

**Table 11 General Fund Appropriations by Agency
Appropriations Committee Preliminary Budget**

Agency	Type		Committee Preliminary		Change over Prior Year				2 Yr Avg Chng
		w/o deficits FY2018-19	Preliminary FY2019-20	Preliminary FY2020-21	FY2019-20 \$ %		FY2020-21 \$ %		
#03 Legislative Council	Oper	20,618,873	21,233,246	21,692,920	614,373	3.0%	459,674	2.2%	2.6%
#03 Legislative Council	Total	20,618,873	21,233,246	21,692,920	614,373	3.0%	459,674	2.2%	2.6%
#05 Supreme Court	Aid	300,000	300,000	300,000	0	0.0%	0	0.0%	0.0%
#05 Supreme Court	Oper	187,043,520	191,970,984	194,672,593	4,927,464	2.6%	2,701,609	1.4%	2.0%
#05 Supreme Court	Total	187,343,520	192,270,984	194,972,593	4,927,464	2.6%	2,701,609	1.4%	2.0%
#07 Governor	Oper	2,151,585	1,958,577	2,002,805	(193,008)	-9.0%	44,228	2.3%	-3.5%
#07 Governor	Total	2,151,585	1,958,577	2,002,805	(193,008)	-9.0%	44,228	2.3%	-3.5%
#08 Lt. Governor	Oper	149,768	151,135	152,437	1,367	0.9%	1,302	0.9%	0.9%
#08 Lt. Governor	Total	149,768	151,135	152,437	1,367	0.9%	1,302	0.9%	0.9%
#09 Secretary of State	Oper	2,264,183	2,513,936	2,288,601	249,753	11.0%	(225,335)	-9.0%	0.5%
#09 Secretary of State	Total	2,264,183	2,513,936	2,288,601	249,753	11.0%	(225,335)	-9.0%	0.5%
#10 State Auditor	Oper	2,485,756	2,554,400	2,592,061	68,644	2.8%	37,661	1.5%	2.1%
#10 State Auditor	Total	2,485,756	2,554,400	2,592,061	68,644	2.8%	37,661	1.5%	2.1%
#11 Attorney General	Oper	6,551,897	6,179,967	6,310,897	(371,930)	-5.7%	130,930	2.1%	-1.9%
#11 Attorney General	Total	6,551,897	6,179,967	6,310,897	(371,930)	-5.7%	130,930	2.1%	-1.9%
#12 State Treasurer	Aid	0	0	0	0	na	0	na	na
#12 State Treasurer	Oper	1,157,357	1,154,310	1,171,439	(3,047)	-0.3%	17,129	1.5%	0.6%
#12 State Treasurer	Total	1,157,357	1,154,310	1,171,439	(3,047)	-0.3%	17,129	1.5%	0.6%
#13 Education	Aid	1,228,115,662	1,281,617,729	1,317,205,036	53,502,067	4.4%	35,587,307	2.8%	3.6%
#13 Education	Oper	24,847,544	25,194,791	25,476,673	347,247	1.4%	281,882	1.1%	1.3%
#13 Education	Total	1,252,963,206	1,306,812,520	1,342,681,709	53,849,314	4.3%	35,869,189	2.7%	3.5%
#14 Public Service Comm	Oper	2,325,823	2,233,960	2,269,242	(91,863)	-3.9%	35,282	1.6%	-1.2%
#14 Public Service Comm	Total	2,325,823	2,233,960	2,269,242	(91,863)	-3.9%	35,282	1.6%	-1.2%
#15 Parole Board	Oper	7,534,270	7,891,768	8,124,998	357,498	4.7%	233,230	3.0%	3.8%
#15 Parole Board	Total	7,534,270	7,891,768	8,124,998	357,498	4.7%	233,230	3.0%	3.8%
#16 Revenue	Aid	98,300,000	103,100,000	106,800,000	4,800,000	4.9%	3,700,000	3.6%	4.2%
#16 Revenue	Oper	26,728,444	27,259,488	27,674,896	531,044	2.0%	415,408	1.5%	1.8%
#16 Revenue	Total	125,028,444	130,359,488	134,474,896	5,331,044	4.3%	4,115,408	3.2%	3.7%
#18 Agriculture	Aid	456,000	456,000	456,000	0	0.0%	0	0.0%	0.0%
#18 Agriculture	Oper	5,608,564	5,698,913	5,799,169	90,349	1.6%	100,256	1.8%	1.7%
#18 Agriculture	Total	6,064,564	6,154,913	6,255,169	90,349	1.5%	100,256	1.6%	1.6%
#21 Fire Marshal	Oper	4,172,967	4,194,754	4,308,509	21,787	0.5%	113,755	2.7%	1.6%
#21 Fire Marshal	Total	4,172,967	4,194,754	4,308,509	21,787	0.5%	113,755	2.7%	1.6%
#23 Labor	Oper	621,982	641,042	657,218	19,060	3.1%	16,176	2.5%	2.8%
#23 Labor	Total	621,982	641,042	657,218	19,060	3.1%	16,176	2.5%	2.8%
#25 DHHS System	Aid	1,392,485,181	1,424,560,399	1,501,407,578	32,075,218	2.3%	76,847,179	5.4%	3.8%
#25 DHHS System	Oper	236,687,805	238,581,055	244,909,255	1,893,250	0.8%	6,328,200	2.7%	1.7%
#25 DHHS System	Total	1,629,172,986	1,663,141,454	1,746,316,833	33,968,468	2.1%	83,175,379	5.0%	3.5%
#28 Veterans Affairs	Oper	25,901,529	26,582,179	27,182,314	680,650	2.6%	600,135	2.3%	2.4%
#28 Veterans Affairs	Total	25,901,529	26,582,179	27,182,314	680,650	2.6%	600,135	2.3%	2.4%
#29 Natural Resources	Aid	4,820,824	1,806,112	1,806,112	(3,014,712)	-62.5%	0	0.0%	-38.8%
#29 Natural Resources	Oper	10,169,740	10,388,164	10,577,369	218,424	2.1%	189,205	1.8%	2.0%
#29 Natural Resources	Total	14,990,564	12,194,276	12,383,481	(2,796,288)	-18.7%	189,205	1.6%	-9.1%
#31 Military Dept	Aid	584,424	584,424	584,424	0	0.0%	0	0.0%	0.0%
#31 Military Dept	Oper	4,292,338	4,481,024	4,537,312	188,686	4.4%	56,288	1.3%	2.8%
#31 Military Dept	Total	4,876,762	5,065,448	5,121,736	188,686	3.9%	56,288	1.1%	2.5%

Agency	Type	Committee Preliminary			Change over Prior Year				2 Yr Avg Chng
		w/o deficits FY2018-19	Preliminary FY2019-20	Preliminary FY2020-21	FY2019-20 \$ %		FY2020-21 \$ %		
#32 Ed Lands & Funds	Oper	345,999	368,003	376,041	22,004	6.4%	8,038	2.2%	4.3%
#32 Ed Lands & Funds	Total	345,999	368,003	376,041	22,004	6.4%	8,038	2.2%	4.3%
#33 Game & Parks	Aid	42,011	42,011	42,011	0	0.0%	0	0.0%	0.0%
#33 Game & Parks	Oper	11,410,487	11,674,040	11,864,115	263,553	2.3%	190,075	1.6%	2.0%
#33 Game & Parks	Total	11,452,498	11,716,051	11,906,126	263,553	2.3%	190,075	1.6%	2.0%
#34 Library Commission	Aid	1,243,282	1,262,369	1,281,837	19,087	1.5%	19,468	1.5%	1.5%
#34 Library Commission	Oper	2,566,631	2,623,236	2,668,610	56,605	2.2%	45,374	1.7%	2.0%
#34 Library Commission	Total	3,809,913	3,885,605	3,950,447	75,692	2.0%	64,842	1.7%	1.8%
#35 Liquor Control	Oper	1,273,897	1,325,501	1,387,743	51,604	4.1%	62,242	4.7%	4.4%
#35 Liquor Control	Total	1,273,897	1,325,501	1,387,743	51,604	4.1%	62,242	4.7%	4.4%
#46 Correctional Services	Aid	3,500,000	3,500,000	3,500,000	0	0.0%	0	0.0%	0.0%
#46 Correctional Services	Oper	211,920,240	218,127,924	226,663,144	6,207,684	2.9%	8,535,220	3.9%	3.4%
#46 Correctional Services	Total	215,420,240	221,627,924	230,163,144	6,207,684	2.9%	8,535,220	3.9%	3.4%
#47 NETC	Oper	9,967,401	10,196,886	10,371,762	229,485	2.3%	174,876	1.7%	2.0%
#47 NETC	Total	9,967,401	10,196,886	10,371,762	229,485	2.3%	174,876	1.7%	2.0%
#48 Coordinating Comm	Aid	7,539,030	7,693,430	7,693,430	154,400	2.0%	0	0.0%	1.0%
#48 Coordinating Comm	Oper	1,280,270	1,332,299	1,357,959	52,029	4.1%	25,660	1.9%	3.0%
#48 Coordinating Comm	Total	8,819,300	9,025,729	9,051,389	206,429	2.3%	25,660	0.3%	1.3%
#50 State Colleges	Oper	51,620,804	54,484,766	57,397,713	2,863,962	5.5%	2,912,947	5.3%	5.4%
#50 State Colleges	Total	51,620,804	54,484,766	57,397,713	2,863,962	5.5%	2,912,947	5.3%	5.4%
#51 University of Nebraska	Oper	574,745,874	590,706,928	611,092,428	15,961,054	2.8%	20,385,500	3.5%	3.1%
#51 University of Nebraska	Total	574,745,874	590,706,928	611,092,428	15,961,054	2.8%	20,385,500	3.5%	3.1%
#54 Historical Society	Oper	4,312,111	4,440,781	4,511,363	128,670	3.0%	70,582	1.6%	2.3%
#54 Historical Society	Total	4,312,111	4,440,781	4,511,363	128,670	3.0%	70,582	1.6%	2.3%
#64 State Patrol	Oper	60,309,294	62,089,016	63,965,542	1,779,722	3.0%	1,876,526	3.0%	3.0%
#64 State Patrol	Total	60,309,294	62,089,016	63,965,542	1,779,722	3.0%	1,876,526	3.0%	3.0%
#65 Admin Services (DAS)	Oper	8,551,907	8,902,707	8,772,731	350,800	4.1%	(129,976)	-1.5%	1.3%
#65 Admin Services (DAS)	Total	8,551,907	8,902,707	8,772,731	350,800	4.1%	(129,976)	-1.5%	1.3%
#67 Equal Opportunity	Oper	1,260,357	1,246,453	1,272,346	(13,904)	-1.1%	25,893	2.1%	0.5%
#67 Equal Opportunity	Total	1,260,357	1,246,453	1,272,346	(13,904)	-1.1%	25,893	2.1%	0.5%
#68 Latino American Comm.	Oper	211,023	236,904	242,746	25,881	12.3%	5,842	2.5%	7.3%
#68 Latino American Comm.	Total	211,023	236,904	242,746	25,881	12.3%	5,842	2.5%	7.3%
#69 Arts Council	Aid	905,346	905,346	905,346	0	0.0%	0	0.0%	0.0%
#69 Arts Council	Oper	578,240	603,506	619,017	25,266	4.4%	15,511	2.6%	3.5%
#69 Arts Council	Total	1,483,586	1,508,852	1,524,363	25,266	1.7%	15,511	1.0%	1.4%
#70 Foster Care Review	Oper	2,081,930	2,118,252	2,157,600	36,322	1.7%	39,348	1.9%	1.8%
#70 Foster Care Review	Total	2,081,930	2,118,252	2,157,600	36,322	1.7%	39,348	1.9%	1.8%
#72 Economic Development	Aid	6,490,352	8,000,352	8,260,352	1,510,000	23.3%	260,000	3.2%	12.8%
#72 Economic Development	Oper	4,850,408	4,919,890	5,003,660	69,482	1.4%	83,770	1.7%	1.6%
#72 Economic Development	Total	11,340,760	12,920,242	13,264,012	1,579,482	13.9%	343,770	2.7%	8.1%
#76 Indian Affairs Comm	Oper	230,128	236,225	241,161	6,097	2.6%	4,936	2.1%	2.4%
#76 Indian Affairs Comm	Total	230,128	236,225	241,161	6,097	2.6%	4,936	2.1%	2.4%
#77 Industrial Relations	Oper	320,917	298,176	309,318	(22,741)	-7.1%	11,142	3.7%	-1.8%
#77 Industrial Relations	Total	320,917	298,176	309,318	(22,741)	-7.1%	11,142	3.7%	-1.8%
#78 Crime Commission	Aid	7,510,876	7,510,876	7,510,876	0	0.0%	0	0.0%	0.0%
#78 Crime Commission	Oper	4,621,432	4,946,368	5,058,462	324,936	7.0%	112,094	2.3%	4.6%
#78 Crime Commission	Total	12,132,308	12,457,244	12,569,338	324,936	2.7%	112,094	0.9%	1.8%

Agency	Type	Committee Preliminary			Change over Prior Year				2 Yr Avg Chng
		w/o deficits FY2018-19	Preliminary FY2019-20	Preliminary FY2020-21	FY2019-20 \$ %	FY2020-21 \$ %			
#81 Blind & Visually Impaired	Aid	216,890	216,890	216,890	0 0.0%	0 0.0%			0.0%
#81 Blind & Visually Impaired	Oper	1,000,058	1,020,984	1,037,623	20,926 2.1%	16,639 1.6%			1.9%
#81 Blind & Visually Impaired	Total	1,216,948	1,237,874	1,254,513	20,926 1.7%	16,639 1.3%			1.5%
#82 Deaf & Hard of Hearing	Oper	1,003,151	1,030,129	1,051,593	26,978 2.7%	21,464 2.1%			2.4%
#82 Deaf & Hard of Hearing	Total	1,003,151	1,030,129	1,051,593	26,978 2.7%	21,464 2.1%			2.4%
#83 Community Colleges	Aid	98,575,874	100,547,391	102,558,339	1,971,517 2.0%	2,010,948 2.0%			2.0%
#83 Community Colleges	Total	98,575,874	100,547,391	102,558,339	1,971,517 2.0%	2,010,948 2.0%			2.0%
#84 Environmental Quality	Aid	0	0	0	0 na	0 na			na
#84 Environmental Quality	Oper	3,652,217	3,608,895	3,613,674	(43,322) -1.2%	4,779 0.1%			-0.5%
#84 Environmental Quality	Total	3,652,217	3,608,895	3,613,674	(43,322) -1.2%	4,779 0.1%			-0.5%
#85 Retirement Board	Oper	52,698,171	53,638,505	54,709,010	940,334 1.8%	1,070,505 2.0%			1.9%
#85 Retirement Board	Total	52,698,171	53,638,505	54,709,010	940,334 1.8%	1,070,505 2.0%			1.9%
#87 Account/Disclosure	Oper	476,323	489,547	500,170	13,224 2.8%	10,623 2.2%			2.5%
#87 Account/Disclosure	Total	476,323	489,547	500,170	13,224 2.8%	10,623 2.2%			2.5%
#93 Tax Equal/Review Comm	Oper	855,648	879,848	899,242	24,200 2.8%	19,394 2.2%			2.5%
#93 Tax Equal/Review Comm	Total	855,648	879,848	899,242	24,200 2.8%	19,394 2.2%			2.5%
Construction-Total	Total	21,739,000	38,630,811	27,393,789	16,891,811 77.7%	(11,237,022) -29.1%			12.3%
OPERATIONS		1,583,458,863	1,622,409,462	1,669,545,481	38,950,599 2.5%	47,136,019 2.9%			2.7%
STATE AID		2,851,085,752	2,942,103,329	3,060,528,231	91,017,577 3.2%	118,424,902 4.0%			3.6%
CONSTRUCTION		21,739,000	38,630,811	27,393,789	16,891,811 77.7%	(11,237,022) -29.1%			12.3%
TOTAL GENERAL FUNDS		4,456,283,615	4,603,143,602	4,757,467,501	146,859,987 3.3%	154,323,899 3.4%			3.3%

**Table 12 General Fund Appropriations by Individual Aid Program
Appropriations Committee Preliminary Budget**

AgencyAid Program			w/o Deficits FY2018-19	Committee Preliminary		Change over Prior Year				2 Yr
				Preliminary FY2019-20	Preliminary FY2020-21	FY2019-20		FY2020-21		Avg % Chnge
						\$	%	\$	%	
#05	Courts	Court Appointed Special Advocate	300,000	300,000	300,000	0	0.0%	0	0.0%	0.0%
#13	Education	TEEOSA State Aid to Education	974,507,975	1,024,892,618	1,057,930,588	50,384,643	5.2%	33,037,970	3.2%	4.2%
#13	Education	Special Education	226,526,585	228,791,851	231,079,770	2,265,266	1.0%	2,287,919	1.0%	1.0%
#13	Education	Aid to ESU's	13,085,000	13,352,558	13,613,976	267,558	2.0%	261,418	2.0%	2.0%
#13	Education	High ability learner programs	2,202,384	2,342,962	2,342,962	140,578	6.4%	0	0.0%	3.1%
#13	Education	Early Childhood grant program	3,474,583	3,619,357	3,619,357	144,774	4.2%	0	0.0%	2.1%
#13	Education	Early Childhood Endowment	4,800,000	5,000,000	5,000,000	200,000	4.2%	0	0.0%	2.1%
#13	Education	Nurturing Healthy Behaviors	384,000	400,000	400,000	16,000	4.2%	0	0.0%	2.1%
#13	Education	School Lunch	376,351	392,032	392,032	15,681	4.2%	0	0.0%	2.1%
#13	Education	Textbook loan program	446,880	465,500	465,500	18,620	4.2%	0	0.0%	2.1%
#13	Education	School Breakfast reimbursement	617,898	617,898	617,898	0	0.0%	0	0.0%	0.0%
#13	Education	Adult Education	206,077	214,664	214,664	8,587	4.2%	0	0.0%	2.1%
#13	Education	Learning Communities Aid	470,000	470,000	470,000	0	0.0%	0	0.0%	0.0%
#13	Education	Summer Food Service grants	86,400	90,000	90,000	3,600	4.2%	0	0.0%	2.1%
#13	Education	High School Equivalency Assistance	720,000	750,000	750,000	30,000	4.2%	0	0.0%	2.1%
#13	Education	Step Up Quality Child Care - Scholarship	96,000	100,000	100,000	4,000	4.2%	0	0.0%	2.1%
#13	Education	Step Up Quality Child Care - Bonuses	66,240	69,000	69,000	2,760	4.2%	0	0.0%	2.1%
#13	Education	Vocational Rehabilitation	49,289	49,289	49,289	0	0.0%	0	0.0%	0.0%
#16	Revenue	Homestead Exemption	84,100,000	88,700,000	92,000,000	4,600,000	5.5%	3,300,000	3.7%	4.6%
#16	Revenue	Personal Property Tax Relief Act	14,200,000	14,400,000	14,800,000	200,000	1.4%	400,000	2.8%	2.1%
#18	Agriculture	Riparian Vegetation grants	456,000	456,000	456,000	0	0.0%	0	0.0%	0.0%
#25	HHS System	Behavioral Health Aid	71,872,571	73,503,670	71,705,541	1,631,099	2.3%	(1,798,129)	-2.4%	-0.1%
#25	HHS System	Medical student assistance/RHOP	680,723	680,723	680,723	0	0.0%	0	0.0%	0.0%
#25	HHS System	Childrens Health Insurance	6,178,073	14,258,799	26,214,830	8,080,726	130.8%	11,956,031	83.9%	106.0%
#25	HHS System	Public Assistance	94,994,043	92,177,962	91,603,074	(2,816,081)	-3.0%	(574,888)	-0.6%	-1.8%
#25	HHS System	Medicaid	849,628,184	872,590,088	938,440,609	22,961,904	2.7%	65,850,521	7.5%	5.1%
#25	HHS System	Child Welfare Aid	197,071,388	198,724,998	201,277,997	1,653,610	0.8%	2,552,999	1.3%	1.1%
#25	HHS System	Community developmental disabilities	150,279,443	150,880,903	149,109,636	601,460	0.4%	(1,771,267)	-1.2%	-0.4%
#25	HHS System	Community health centers	5,783,060	5,783,060	5,783,060	0	0.0%	0	0.0%	0.0%
#25	HHS System	Health Aid	6,151,907	6,114,407	6,114,407	(37,500)	-0.6%	0	0.0%	-0.3%
#25	HHS System	Care Management	2,315,560	2,315,560	2,315,560	0	0.0%	0	0.0%	0.0%

AgencyAid Program		w/o Deficits FY2018-19	Committee Preliminary		Change over Prior Year				2 Yr Avg % Chnge	
			Preliminary FY2019-20	Preliminary FY2020-21	FY2019-20		FY2020-21			
					\$	%	\$	%		
#25	HHS System	Area agencies on aging	7,530,229	7,530,229	8,162,141	0	0.0%	631,912	8.4%	4.1%
#29	Nat Resources	Nebr Water Conservation Fund	1,806,112	1,806,112	1,806,112	0	0.0%	0	0.0%	0.0%
#29	Nat Resources	Resources Development Fund	3,014,712	0	0	(3,014,712)	-100.0%	0	na	-100.0%
#31	Military Dept	Governors Emergency Program	0	0	0	0	na	0	na	na
#31	Military Dept	Guard tuition assistance	584,424	584,424	584,424	0	0.0%	0	0.0%	0.0%
#33	Game & Parks	Niobrara Council	42,011	42,011	42,011	0	0.0%	0	0.0%	0.0%
#34	Library Comm	Local libraries	1,243,282	1,262,369	1,281,837	19,087	1.5%	19,468	1.5%	1.5%
#46	Corrections	Vocational and Life Skills Program	3,500,000	3,500,000	3,500,000	0	0.0%	0	0.0%	0.0%
#48	Coord. Comm	Nebr Opportunity Grant Program	6,593,430	6,593,430	6,593,430	0	0.0%	0	0.0%	0.0%
#48	Coord. Comm	Access College Early Scholarship	945,600	1,100,000	1,100,000	154,400	16.3%	0	0.0%	7.9%
#69	Arts Council	Aid to arts programs	905,346	905,346	905,346	0	0.0%	0	0.0%	0.0%
#72	Econ Develop	State aid to development districts	470,000	470,000	470,000	0	0.0%	0	0.0%	0.0%
#72	Econ Develop	Business Innovation Act	6,020,352	6,020,352	6,020,352	0	0.0%	0	0.0%	0.0%
#72	Econ Develop	Youth Talent Initiative	0	1,250,000	1,250,000	1,250,000	na	0	0.0%	na
#72	Econ Develop	Nebr Talent Scholarships	0	260,000	520,000	260,000	na	260,000	100.0%	na
#78	Crime Comm	Juvenile services grants	564,300	564,300	564,300	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	Community Based Juvenile Services aid	6,048,000	6,048,000	6,048,000	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	Crimestoppers program	12,919	12,919	12,919	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	County Justice Reinvestment Grants	480,000	480,000	480,000	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	Victim Witness assistance	50,457	50,457	50,457	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	Crime Victims reparations	19,200	19,200	19,200	0	0.0%	0	0.0%	0.0%
#78	Crime Comm	Violence Prevention Grants	336,000	336,000	336,000	0	0.0%	0	0.0%	0.0%
#81	Blind & Vis Imp	Blind rehabilitation	216,890	216,890	216,890	0	0.0%	0	0.0%	0.0%
#83	Comm Colleges	Aid to Community Colleges	98,575,874	100,547,391	102,558,339	1,971,517	2.0%	2,010,948	2.0%	2.0%
		Aid to Individuals/Other	1,415,580,493	1,449,339,198	1,526,465,845	33,758,705	2.4%	77,126,647	5.3%	3.8%
		Aid to Local Government	1,435,505,259	1,492,764,131	1,534,062,386	57,258,872	4.0%	41,298,255	2.8%	3.4%
		Total State Aid	2,851,085,752	2,942,103,329	3,060,528,231	91,017,577	3.2%	118,424,902	4.0%	3.6%

Detailed List – Specific General Fund Adjustments

(Appropriations Committee Preliminary Budget – Amounts are \$ change from FY19 Base)

Agency	Prog	Issue	Type	FY2019-20	FY2020-21
3 Leg Council	122	Short vs long session costs	Oper	(226,624)	0
3 Leg Council	122	Retain short vs long funding, use for computer replacement	Oper	226,624	0
3 Leg Council	123	Short vs long session costs	Oper	(156,361)	0
3 Leg Council	123	Retain short vs long funding, use for computer replacement	Oper	156,361	0
3 Leg Council	126	Redistricting (No Priority, Prog 126)	Oper	66,550	76,550
5 Courts	3	Reduced charge for Life insurance	Oper	(84)	(84)
5 Courts	4	Reduced charge for Life insurance	Oper	(72)	(72)
5 Courts	6	Reduced charge for Life insurance	Oper	(816)	(816)
5 Courts	7	Reduced charge for Life insurance	Oper	(696)	(696)
5 Courts	52	Reduced charge for Life insurance	Oper	(7,122)	(7,122)
5 Courts	52	Annualize LB259, 2017: July 1, 2019, effective date.	Oper	359,493	359,493
5 Courts	52	FY20-21 Biweekly Payroll (Priority 2 of 2, Prog. 52)	Oper	0	12,797
5 Courts	67	Reduced charge for Life insurance	Oper	(5,472)	(5,472)
5 Courts	67	FY20-21 Biweekly Payroll (Priority 2 of 2, Prog. 67)	Oper	0	29,649
5 Courts	420	Reduced charge for Life insurance	Oper	(347)	(347)
5 Courts	420	Annualize LB605 Continuation Funding	Oper	395,102	395,102
5 Courts	435	Reduced charge for Life insurance	Oper	(1,728)	(1,728)
5 Courts	435	Annualize LB605 Continuation Funding	Oper	773,271	773,271
5 Courts	435	FY20-21 Biweekly Payroll (Priority 2 of 2, Prog. 435)	Oper	0	9,194
5 Courts	435	Provider Rate Increase (2%) (Prog 435)	Oper	117,152	236,646
5 Courts	437	Reduced charge for Life insurance	Oper	(3,083)	(3,083)
5 Courts	437	Provider Rate Increase (2%) (Prog 437)	Oper	147,509	297,968
7 Governor	18	Health Insurance Reduction (Prog. 018)	Oper	(13,611)	(13,611)
7 Governor	18	Base Appropriation Adjustment (Prog. 018)	Oper	(100,000)	(100,000)
7 Governor	21	Association Dues (Prog. 021)	Oper	(61,000)	(61,000)
7 Governor	21	Salaries and Benefits Reduction (Prog. 021)	Oper	(70,527)	(72,610)
9 Sec of State	22	Shift 0.5 FTE from General Funds to Cash Funds (Prog. 022)	Oper	(31,487)	(32,342)
9 Sec of State	45	Elections Maintenance Contracts (Priority 1 of 5, Prog. 045)	Oper	255,540	10,594
10 Auditor	506	NASACT Peer Review (Prog. 506)	Oper	15,000	0
11 Attorney Gen	507	Reduce General Funds to historic expenditure levels	Oper	(500,000)	(500,000)
12 Treasurer	24	Rent Expense (Prog. 024)	Oper	1,753	1,753
12 Treasurer	24	Reduced Data Processing Costs (Prog. 024)	Oper	(10,000)	(10,000)
12 Treasurer	24	Reduced Banking Fees (Prog. 024)	Oper	(20,000)	(20,000)
13 Education	25	TEEOSA aid - Increase per current law (prog. 158).	Aid	76,471,317	83,422,613
13 Education	25	TEEOSA aid - incorporate LB 588 change in LER	Aid	(26,086,674)	0
13 Education	25	Increase special education aid by 10% (prog. 158).	Aid	2,265,266	4,553,185
13 Education	25	Restore aid reduced by LB 944 (2018) (prog. 158).	Aid	595,866	595,866
13 Education	25	Increase aid for educational service units (prog. 158).	Aid	256,292	517,710
14 PSC	54	Reallocation of Agency Costs (Prog. 054)	Oper	(27,611)	(27,611)
14 PSC	54	Shift Funding from General to Cash (Prog. 054)	Oper	(35,000)	(35,000)
14 PSC	54	Eliminate Grain Inspector (Prog. 054)	Oper	(64,708)	(65,708)
15 Parole	358	Program Expenses for Clients (Prog. 358)	Oper	170,866	284,777

Agency	Prog	Issue	Type	FY2019-20	FY2020-21
16 Revenue	102	Annualize LB 1090 (2018)	Oper	(8,402)	(8,402)
16 Revenue	102	Annualize LB 738 (2018)	Oper	49,343	(49,343)
16 Revenue	102	OCIO IT Consolidation (net)	Oper	(88,398)	(88,398)
16 Revenue	108	Additional Forecasted Homestead Appropriation (prog. 108)	Aid	4,600,000	7,900,000
16 Revenue	109	Adjusted Personal Property Tax Relief (prog. 109)	Aid	200,000	600,000
16 Revenue	112	OCIO IT Consolidation (net)	Oper	(4,086)	(4,086)
18 Agriculture	78	Operating increases (Prog. 078)	Oper	6,036	0
18 Agriculture	78	Agricultural promotion travel costs (Prog. 078)	Oper	545	594
18 Agriculture	78	DAS Consolidation -Shared Services transfer	Oper	1,214	1,236
18 Agriculture	78	OCIO IT Consolidation (net)	Oper	(48,142)	(48,142)
21 Fire Marshall	193	North Platte Storage Unit (Prog. 193)	Oper	2,081	2,081
21 Fire Marshall	193	Reduce Vehicle Costs (Priority 8 of 9, Prog. 193)	Oper	(8,500)	(8,500)
21 Fire Marshall	193	OCIO IT Consolidation (net)	Oper	(80,728)	(80,728)
21 Fire Marshall	340	Bunker Gear (Priority 6 of 9, Prog. 340)	Oper	10,000	10,000
21 Fire Marshall	340	Part-Time Training Instructors Salary Increase	Oper	5,275	5,275
21 Fire Marshall	340	OCIO IT Consolidation (net)	Oper	(1,143)	(1,143)
25 DHHS	33	Annualized costs of LB 793 (Prog. 033)	Oper	0	321,182
25 DHHS	33	Annualized costs of LB 439 (Prog. 033)	Oper	0	29,680
25 DHHS	33	Realign developmental disability staff (Prog. 033)	Oper	726,905	1,190,642
25 DHHS	33	Transfer nursing home screening activity, Prog. 365 to 033	Oper	373,989	381,458
25 DHHS	33	Financial case management system (Prog. 033)	Oper	188,466	188,466
25 DHHS	33	Money follows the Person fund change (Prog 033)	Oper	45,627	128,768
25 DHHS	33	Cost allocation fund mix change (Prog. 033)	Oper	(90,000)	(90,000)
25 DHHS	33	Increase in Medicaid Assistance Percentage (FMAP)	Oper	(319,006)	(427,605)
25 DHHS	33	Economic eligibility system suspension (Prog. 033)	Oper	(5,900,000)	(5,900,000)
25 DHHS	33	Implementation of Medicaid Expansion (Prog. 033)	Oper	1,575,408	2,256,371
25 DHHS	33	OCIO IT Consolidation (net)	Oper	(923,359)	(923,359)
25 DHHS	38	Behavioral Health: Reduce training contracts (prog. 38).	Aid	(36,037)	(36,037)
25 DHHS	38	Behavioral Health: Provider Rate (Cost Model), prog. 38).	Aid	2,893,301	2,893,301
25 DHHS	38	Behavioral Health: Address service gaps (prog. 38).	Aid	658,835	1,615,706
25 DHHS	38	Behavioral Health: Medicaid Expansion - offsets	Aid	(1,885,000)	(4,640,000)
25 DHHS	250	Twenty-four hour inflationary increases (Prog. 250)	Oper	6,685	13,367
25 DHHS	344	SCHIP: Elimination of the enhanced FMAP (Prog. 344)	Aid	8,103,686	19,181,115
25 DHHS	344	SCHIP: Increase in Medicaid Assistance Percentage (FMAP)	Aid	(1,051,695)	(1,427,883)
25 DHHS	344	SCHIP: Provider Rate increase (2%) (Prog 344)	Aid	1,028,735	2,283,525
25 DHHS	347	Public Assistance: Reduce excess appropriation (Prog. 347)	Aid	(2,259,715)	(2,278,237)
25 DHHS	347	Medicaid: Medicaid Expansion - offsets State Disability	Aid	(556,366)	(1,112,732)
25 DHHS	348	Medicaid: Utilization increase (Prog. 348)	Aid	16,319,271	31,206,745
25 DHHS	348	Medicaid: Clawback contribution (Prog. 348)	Aid	1,458,514	2,690,851
25 DHHS	348	Medicaid: Health insurance provider fee (Prog. 348)	Aid	0	15,478,738
25 DHHS	348	Medicaid: Increase in Medicaid Assistance Percentage (FMAP)	Aid	(30,840,497)	(42,376,698)
25 DHHS	348	Medicaid: Medicaid Expansion - gross costs	Aid	19,826,774	49,269,837
25 DHHS	348	Medicaid: Medicaid Expansion offsets Breast/Cervical Cancer	Aid	(535,302)	(1,070,732)
25 DHHS	348	Medicaid: Provider Rate increase (2%) (Prog 348)	Aid	16,733,144	33,613,684
25 DHHS	354	Child Welfare: Increase in Fed Medicaid Assistance % (FMAP)	Aid	(1,109,686)	(1,375,248)
25 DHHS	354	Child Welfare: Provider Rate increase (2%) (Prog 354)	Aid	2,763,296	5,581,857
25 DHHS	365	Inflationary increases for institutions (prog. 365).	Oper	74,013	148,024
25 DHHS	365	Transfer nursing home screening activity to Program 33.	Oper	(373,978)	(381,458)
25 DHHS	421	Inflationary increase for institutions (prog. 421).	Oper	7,305	14,611
25 DHHS	421	Increase in Fed Medicaid Assistance Percentage (FMAP).	Oper	(629,259)	(835,129)
25 DHHS	421	Realign developmental disability staff (prog. 421).	Oper	(1,190,641)	(1,190,641)

Agency	Prog	Issue	Type	FY2019-20	FY2020-21
25 DHHS	424	Develop Disability: Transfer to Prog. 33, case mgmt system.	Aid	(198,720)	(198,720)
25 DHHS	424	Develop Disability: Increase in Fed Medicaid Assistance (FMAP).	Aid	(5,005,683)	(6,709,778)
25 DHHS	424	Develop Disability: Rebase rates for providers (prog. 424).	Aid	5,805,863	5,738,691
25 DHHS	514	Ryan White AIDS funding change (Prog. 514)	Aid	(37,500)	(37,500)
25 DHHS	571	Annualized cost of LB 793 (Prog. 571)	Aid	0	631,912
28 Vets Affiars	36	Shift funding sources between programs (prog. 36).	Oper	100,000	100,000
28 Vets Affiars	37	Shift funding sources between programs (prog. 37).	Oper	(100,000)	(100,000)
28 Vets Affiars	511	Enterprise Issue Base Adjustment	Oper	67,723	141,478
28 Vets Affiars	519	Inflationary increases for food, medical and non-medical supplies.	Oper	60,064	123,371
29 Nat Rsrcs	307	Elimination of program funding and reappropriation of fund.	Aid	(3,014,712)	(3,014,712)
29 Nat Rsrcs	334	Equipment replacement and upgrade expenses. (Prog. 334)	Oper	(20,000)	(20,000)
29 Nat Rsrcs	334	GIS Enterprise Support/Data Storage	Oper	129,837	125,248
29 Nat Rsrcs	334	OCIO IT Consolidation (net)	Oper	(127,901)	(127,901)
31 Military	544	Operation/maint of Air National Guard facilities (prog 544).	Oper	100,000	100,000
32 Ed Lands	529	Update computer hardware (prog. 529) (prog. 529).	Oper	10,000	10,000
34 Library	302	Nebraska Access (Prog. 302)	Aid	9,600	19,392
34 Library	302	Regional library systems (Prog. 302)	Aid	5,467	11,043
34 Library	302	Increase funding for Nebraska eReads (Prog. 302)	Aid	4,020	8,120
35 Liquor	73	Increase of Enterprise Content Management Rates, OCIO	Oper	18,000	22,000
35 Liquor	73	2020-2021 27 Pay Periods (prog. 73)	Oper	0	32,549
46 Corrections	200	One-Time Cash Fund Appropriation Increase (Prog. 200)	Oper	(4,200,000)	0
46 Corrections	200	Additional staff per staffing analysis (Prog. 200)	Oper	1,867,979	3,729,546
46 Corrections	200	Electronic Health Records System (EHRS) (Prog. 200)	Oper	1,346,927	97,425
46 Corrections	200	Lease/purchase, new Power Plant (Prog. 200)	Oper	450,000	450,000
46 Corrections	200	Inmate Programming (Prog. 200)	Oper	250,000	250,000
46 Corrections	200	Facility Staffing – 4.0 Unit Case Managers (Prog. 200)	Oper	231,995	236,625
46 Corrections	200	Kronos Upgrade (Prog. 200)	Oper	83,333	41,667
46 Corrections	200	OCIO IT Consolidation (net)	Oper	975,330	975,330
47 NETC	533	TV Equipment Replacement Funds (Prog. 533)	Oper	0	16,000
47 NETC	566	Radio Equipment Replacement Funds. (Prog 566)	Oper	8,000	13,000
48 Coord Comm	640	Increase OCIO charges, ACE Scholarship application site	Oper	17,000	17,000
48 Coord Comm	691	Increase funding for ACE Scholarships. (Program 691)	Aid	154,400	154,400
50 St Colleges	48	Nebraska Talent Scholarships (as proposed by Governor)	Oper	1,000,000	2,000,000
51 University	515	Transfer from NDE to MMI for Ctr for Independent Living	Oper	30,111	30,111
51 University	515	Nebraska Talent Scholarships (as proposed by Governor)	Oper	1,000,000	2,000,000
54 Hist Society	648	Building Insurance (Prog. 648)	Oper	20,373	20,373
54 Hist Society	648	Digital Preservation and Maintenance (Prog. 648)	Oper	15,000	15,000
64 Patrol	100	Required Retirement Contributions (Prog. 100)	Oper	10,376	21,066
64 Patrol	100	Changes in Facility Rental Costs (Prog. 100)	Oper	(49,366)	(48,593)
64 Patrol	100	Crime Lab - Facility Rental Costs (Prog. 100)	Oper	108,670	108,670
64 Patrol	100	OCIO IT Consolidation (net)	Oper	(87,161)	(87,161)
65 DAS	101	Administrative Manager Shift (Prog. 101)	Oper	(23,165)	(23,165)
65 DAS	509	Reduce Operating and Conference Expenses (Prog. 509)	Oper	(5,625)	(6,740)
65 DAS	592	Anticipated Indemnification Expenses	Oper	508,750	258,750
65 DAS	605	Transfer 6 FTE's from Personnel to Accounting (Prog. 605)	Oper	(119,324)	(119,324)

Agency	Prog	Issue	Type	FY2019-20	FY2020-21
65 DAS	685	Increase Capitol HVAC project manager's salary. (Prog 685)	Oper	104,677	104,677
65 DAS	685	Capitol janitorial contract increase. (Program 685)	Oper	10,000	10,000
65 DAS	685	Expiration, Capitol steam plant debt service payments	Oper	(250,000)	(250,000)
67 Equal Opp	59	Switch 20% of 5 FTE salaries to federal (Prog. 059)	Oper	(50,000)	(50,000)
68 Latino-Amer	537	Increase Public Information Officer to full time (Prog. 537)	Oper	20,120	21,080
70 Foster Care	116	Reduce postage (Priority 1 of 2, Prog. 116)	Oper	(12,000)	(12,000)
72 DED	603	Expand Youth Talent Initiative	Aid	1,250,000	1,250,000
72 DED	603	Nebraska Talent Scholarships (as proposed by Governor)	Aid	260,000	520,000
72 DED	603	OCIO IT Consolidation (net)	Oper	(108,469)	(108,469)
72 DED	603	Nebr Talent Scholarships and Youth Talent (staffing)	Oper	75,129	74,742
77 CIR	531	27th Pay Period (Prog 531)	Oper	0	5,619
77 CIR	531	Agency Reorganization (Prog 531)	Oper	(27,949)	(26,722)
78 Crime Com	198	Change VINE funding source (Prog. 198)	Oper	327,736	327,736
78 Crime Com	198	OCIO IT Consolidation (net)	Oper	(61,461)	(61,461)
78 Crime Com	199	Additional General Funds, Training Center (Prog. 199)	Oper	158,287	226,132
78 Crime Com	199	OCIO IT Consolidation (net)	Oper	(65,246)	(65,246)
78 Crime Com	215	SAC Research Analyst	Oper	59,860	59,860
78 Crime Com	220	Reduction in staff (Prog. 220)	Oper	(147,403)	(147,403)
83 Comm College	151	Increase state support, community colleges (Prog 151)	Aid	1,971,517	3,982,465
84 DEQ	513	Payments to OCIO for computer hardware (Prog. 513)	Oper	8,246	8,246
84 DEQ	513	Shift membership funding, Assoc of Clean Air Agencies	Oper	(4,596)	(4,596)
84 DEQ	513	Shift membership funding, Environmental Council of the States	Oper	(13,000)	(13,000)
84 DEQ	513	Reallocate engineering costs to non-Gen Fund programs.	Oper	(71,199)	(103,070)
84 DEQ	513	OCIO IT Consolidation (net)	Oper	(8,007)	(8,007)
85 Retirement	515	School Employee 2% of Salary.	Oper	1,204,231	2,060,622
85 Retirement	515	Omaha Public School (OPS) Employee 2% of Salary.	Oper	309,726	489,434
85 Retirement	515	Omaha Public School (OPS) Employee Service Annuity.	Oper	5,128	(243,169)
85 Retirement	515	Judges' ARC.	Oper	(225,014)	(158,613)
85 Retirement	515	State Patrol ARC.	Oper	(353,737)	(137,435)
99 Construction	101	Committee prelim compared to current year	Const	16,891,811	5,654,789
All Agencies	---	Annualize Salaries (see 2019 GP sheet)	Oper	4,061,913	4,061,913
All Agencies	---	DAS charges (see 2019 GP sheet)	Oper	3,113,770	3,632,238
All Agencies	---	FY20 / FY21 Salary Increases	Oper	28,675,803	58,114,883
All Agencies	---	FY20 / FY21 Health Insurance Increases	Oper	3,781,006	11,690,989
Total Adjustments (Operations)			Oper	38,950,599	86,086,618
Total Adjustments (State Aid)			Aid	91,017,577	209,442,479
Total Adjustments (Construction)			Const	16,891,811	5,654,789
Total General Fund Budget Adjustments			Total	146,859,987	301,183,886

COMPARISON TO GOVERNORS RECOMMENDATION

Committee Preliminary Budget

Governors Recommendation

	Current Yr FY2018-19	Upcoming Biennium FY2019-20 FY2020-21		Current Yr FY2018-19	Upcoming Biennium FY2019-20 FY2020-21	
1 BEGINNING BALANCE						
2 Beginning Cash Balance	453,601,627	307,431,905	282,222,303	453,601,627	312,443,933	285,956,166
3 Cash Reserve transfers-automatic	(61,995,773)	(69,266,000)	0	(61,995,773)	(69,266,000)	0
4 Carryover obligations from FY18	(252,544,467)	0	0	(252,544,467)	0	0
5 Lapse FY19 reappropriations	8,000,000	0	0	13,000,000	0	0
6 Allocation for potential deficits	0	(4,500,000)	(5,000,000)	0	(5,000,000)	(5,000,000)
7 Unobligated Beginning Balance	147,061,387	233,665,905	277,222,303	152,061,387	238,177,933	280,956,166
8 REVENUES & TRANSFERS						
9 Net Receipts (Oct 2018 NEFAB + hist avg)	4,800,000,000	4,890,000,000	5,000,000,000	4,800,000,000	4,890,000,000	5,000,000,000
10 General Fund transfers-out (current law)	(230,300,000)	(286,800,000)	(286,800,000)	(230,300,000)	(286,300,000)	(286,300,000)
11 General Fund transfers-in (current law)	(1,500,000)	48,500,000	48,500,000	(1,500,000)	48,500,000	48,500,000
12 Cash Reserve transfers (current law)	48,000,000	0	0	48,000,000	0	0
13 2019 Cash Reserve transfers (new)	0	0	0	0	0	0
14 2019 Revenue Bills	0	0	0	(28,000)	(5,151,000)	(12,560,000)
15 General Fund Net Revenues	4,616,200,000	4,651,700,000	4,761,700,000	4,616,172,000	4,647,049,000	4,749,640,000
16 APPROPRIATIONS						
17 Expenditures / Appropriations	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615	4,456,283,615
18 2019 Mainline Budget Adjustments	(561,266)	146,859,987	301,183,886	(601,294)	143,536,649	281,605,742
19 Projected budget increase, following bien	0	0	0	0	0	0
20 2019 State Claims	107,133	0	0	107,133	0	0
21 2019 "A" Bills	0	0	0	0	(549,497)	(1,098,993)
22 General Fund Appropriations	4,455,829,482	4,603,143,602	4,757,467,501	4,455,789,454	4,599,270,767	4,736,790,364
23 ENDING BALANCE						
24 \$ Ending balance (per Financial Status)	307,431,905	282,222,303	281,454,802	312,443,933	285,956,166	293,805,802
25 \$ Ending balance (at Min. Reserve 3.0%)			281,113,570			280,772,823
26 Excess (shortfall) from Minimum Reserv			341,232			13,032,979
27 Biennial Reserve (%)			3.0%			3.1%
General Fund Appropriations						
28 Annual % Change - Appropriations (w/c	1.3%	3.3%	3.4%	1.3%	3.2%	3.0%
29 Two Year Average	0.5%	--	3.3%	0.5%	--	3.1%

CASH RESERVE FUND	FY2018-19	FY2019-20	FY2020-21	FY2018-19	FY2019-20	FY2020-21
Beginning Balance	339,990,065	333,549,124	402,815,124	339,990,065	333,549,124	348,115,124
Excess of certified forecasts (line 3 in Stal	61,995,773	69,266,000	0	61,995,773	69,266,000	0
To/from Gen Fund per current law	(48,000,000)	0	0	(48,000,000)	0	0
To Nebr Capital Construction Fund (NCC	(20,436,714)	0	0	(20,436,714)	0	0
2019 Session - Transfers to/from Genera	0	0	0	0	0	0
2019 Session - Transfers to/from NCCF	0	0	(54,700,000)	0	(54,700,000)	0
Projected Unobligated Ending Balance	333,549,124	402,815,124	348,115,124	333,549,124	348,115,124	348,115,124

Over the two-year biennial budget, there is a \$13.3 million difference between the variance from the minimum reserve under the Committee preliminary budget (\$.34 million) and the Governor (+\$13.0 million).

The Governors financial status is \$13.3 million different from the Committee Preliminary due to lower appropriations (\$24.5 million over the two year period) and \$5 million higher lapsed appropriations, less \$17.6 million for the military income tax reduction included in the Governors recommendation.

The major differences in appropriations are shown in the table below but include higher salary and health insurance costs (\$14.8 million) and higher DHHS provider rates (\$39.2 million) offset by lower amounts for TEEOSA (\$38.5 million).

For salaries, the Governor used an estimated 2% per year as salary negotiations were not completed at the time the Governor submitted his recommendation. The Committee preliminary budget included negotiated increases amount to 2.3% per year for the NAPE Master Contract, SLEBEC (law enforcement) an average of 4% per year, and SCATA an average of 2.9% per year.

The Governor included a minimal amount for DHHS provider rate increases while the Committee preliminary budget includes about 2% per year for rate increases.

The Committee preliminary budget for TEEOSA school aid was less than the Governor in that for FY19-20 the committee incorporated the provisions of LB588 which has a higher local effort rate and saves \$26 million while the FY20-21 estimated TEEOSA is lower due to revised estimates base on the FY20 preliminary certification calculation.

General Fund FY2019-20 and FY2020-21 Appropriations

General Fund Appropriations	Governor FY2019-20	Governor FY2020-21	Committee FY2019-20	Committee FY2020-21
Agency Operations	1,616,190,405	1,659,622,138	1,622,409,462	1,669,545,481
Aid to Individuals/Other	1,435,001,640	1,496,741,019	1,449,339,198	1,526,465,845
Aid to Local Govts	1,509,947,911	1,553,533,418	1,492,764,131	1,534,062,386
Capital Construction	38,130,811	26,893,789	38,630,811	27,393,789
Total	4,599,270,767	4,736,790,364	4,603,143,602	4,757,467,501

Committee vs Governor (Operations/Aid)	FY2019-20	FY2020-21	Two Yr Total
Agency Operations	6,219,057	9,923,343	16,142,400
Aid to Individuals/Other	14,337,558	29,724,826	44,062,384
Aid to Local Govts	(17,183,780)	(19,471,032)	(36,654,812)
Capital Construction	500,000	500,000	1,000,000
Total	3,872,835	20,677,137	24,549,972

Committee vs Governor (Major Items)	FY2019-20	FY2020-21	Two Yr Total
TEEOSA Aid to Schools (General Funds only)	(18,107,382)	(20,394,634)	(38,502,016)
Provider rates, DHHS aid programs	12,963,311	26,204,102	39,167,413
Salaries & Health Insurance (Agencies)	5,117,332	9,665,434	14,782,766
Salaries & Health Insurance (University+Colleges)	283,769	590,325	874,094
Behavioral Health aid (other than FMAP, provider rates, expansion)	658,835	1,615,706	2,274,541
Medicaid (other than FMAP, provider rates, expansion)	574,497	1,148,993	1,723,490
All Other	2,382,473	1,847,211	4,229,684
Total Difference, Committee vs Governor	3,872,835	20,677,137	24,549,972

General Fund Transfers-In (2 Yr Total)	Governor*	Committee	Difference
Securities Act Cash Fund	54,000,000	54,000,000	0
Department of Insurance Cash Fund	25,000,000	25,000,000	0
Tobacco Products Administration Cash Fund	18,000,000	18,000,000	0
Total - GF Transfers In	97,000,000	97,000,000	0

General Fund Transfers-Out (2 Yr Total)	Governor	Committee	Difference
Property Tax Credit Fund	(544,000,000)	(544,000,000)	0
Water Sustainability Fund	(22,000,000)	(22,000,000)	0
Water Resources Cash Fund	(6,600,000)	(6,600,000)	0
Cultural Preservation Endowment Fund	0	(1,000,000)	(1,000,000)
General Fund Transfers Out	(572,600,000)	(573,600,000)	(1,000,000)

Cash Reserve Fund Transfers (2 Yr Total)	Governor	Committee	Difference
From General Fund	0	0	0
To General Fund	0	0	0
To NCCF (Corrections construction project)	(54,700,000)	(54,700,000)	0
Cash Reserve Fund Transfers	(54,700,000)	(54,700,000)	0

General Fund Deficits (FY2018-19)	Governor	Committee	Difference
Courts-Reduce reappropriation - Juvenile Justice	YES \$10M	YES \$5M	0
Education-TEEOSA Aid; revised Insurance Premium tax	(1,901,294)	(1,901,294)	0
PSC-Commissioner Health Insurance	0	8,185	8,185
Revenue-Homestead exemption deficit	1,300,000	1,300,000	0
DHHS-Reduce reappropriation - Juvenile Services (\$3,000,000)	YES \$3M	YES \$3M	0
Workers Comp-Eliminate/reduce scheduled \$1.5 million transfer to GF	YES	YES	0
Account/Disclosure Leave payouts, retiring employee	NA	31,843	31,843
Total General Fund FY18-19 Deficit Appropriations	(601,294)	(561,266)	40,028
LAPSE FY2017-18 REPPROPRIATIONS	(13,000,000)	(8,000,000)	5,000,000

STATUTORY CHANGES REQUIRED

New Bill Introduction, Rule 5

Rule 5 of the “Rules of the Nebraska Unicameral Legislature” authorizes the Appropriations Committee to introduce new bills in conjunction with the issuance of their Preliminary Report. The intent of the rule is to give the committee the opportunity to review budget requests, develop an initial recommendation and then proceed to hearing on proposed funding levels while other standing committees can hear the new bills that enable the recommendation.

THE SPECIFICS OF THE COMMITTEE PRELIMINARY BUDGET DO NOT REQUIRE INTRODUCTION OF NEW BILLS

Any statutory changes required to carry out the Appropriations Committee Preliminary Budget could be accomplished with bills already introduced as noted below.

Appropriations Committee Preliminary Budget

The Committee Preliminary budget would require statutory changes relating to TEEOSA school aid as contained in LB 588 currently in the Education Committee.

Governor Recommendation

The following were listed in the Governor’s budget document.

LB 153 Military retirement tax benefits for retired military personnel.
LB 303 Provide a floor for financing the Property Tax Credit Fund.
LB 302 Merge the Nebraska Energy Office and the Department of Environmental Quality.
LB 301 Transfer certain inspection programs from Department of Labor to the State Fire Marshal.
LB 245 Changes to the Medicaid Preferred Drug List (PDL).
LB 263 National Guard and reserves retirement tax benefits for retired guard and reserve personnel.

Mainline Appropriations Bills

The following bills are the standard appropriations bills as introduced by the Governor that authorize the bulk of state government expenditures. They are listed here for information only.

LB 293 Provide for deficit appropriations (Speaker Scheer, at the request of the Governor)
LB 294 Appropriate funds for state government expenses (Speaker Scheer, at the request of the Governor)
LB 295 Appropriations for legislative salaries (Speaker Scheer, at the request of the Governor)
LB 296 Appropriate funds, salaries of constitutional officers (Speaker Scheer, at the request of the Governor)
LB 297 Provide appropriations for capital construction (Speaker Scheer, at the request of the Governor)
LB 298 Provide, change, and eliminate fund transfers (Speaker Scheer, at the request of the Governor)
LB 299 Cash Reserve Fund transfers (Speaker Scheer, at the request of the Governor)